

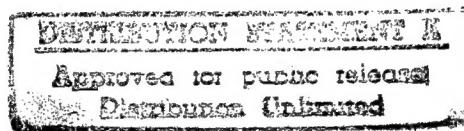
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24 AUGUST 1987



**FOREIGN  
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# ***JPRS Report***



# **China**

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## CHINA

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## KUWAITI TANKERS BELIEVED STILL AT RISK DESPITE U.S. ESCORT

OW230736 Beijing XINHUA in English 0649 GMT 23 Jul 87

[Text] Beijing, July 23 (XINHUA)--The two Kuwaiti tankers, flying the American flag and escorted by U.S. warships, passed the Strait of Hormuz Wednesday without any challenge from Iran, but observers believe the danger of conflict still hangs ahead.

The 410,000-ton supertanker Bridgeton and the 46,700-ton Gas Prince, both raised the American flag hours before they set sail northwest from the Gulf of Oman, and entered the troubled waters of Persian Gulf through the 80 kilometer Strait of Hormuz, which is considered the most tricky part of their three-day voyage bound to Kuwait.

The Iranians have deployed anti-sea missiles along the narrow strait, threatening the Gulf shipping.

The two tankers escorted the three, sometimes four U.S. warships have also to pass the tiny island of Abu Musa, which serves as a base for the Iranian revolutionary guards to strike Gulf shipping.

The revolutionary guards, commanding high-speed gunboats, have carried out hit-and-run attacks in the past few months on ships sailing to or from Kuwait. Iran accuses the emirate of backing Iraq in the seven-year-old Gulf war.

Earlier Wednesday, Iranian President 'Ali Khamene'i was quoted by Iran's official news agency (IRNA) as saying that Iran would strike "as we deem necessary" against what he called the "ominous" U.S.-Kuwaiti alliance.

The state-run Radio Tehran said Wednesday in a commentary, "any continued fire-kindling in the Gulf will be decisively answered...the flag of no country will be the criterion of political consideration."

Reports reached here said the convoy, led by guided-missile Cruiser Fox, was on full alert against Iran's high-speed gunboats and helicopters.

The Bridgeton and the oil products carrier Gas Prince are the first of 11 Kuwaiti tankers that will sail under the U.S. flag with U.S. Navy protection.

Iran, which has rejected the U.N. resolution calling for a cease-fire in the Gulf War, declared that if Iraq stops attacks on ships, it will do the same.

Tehran favors an end to the attacks on Gulf shipping but vows to continue the war with Iraq until President Saddam Hussein is toppled.

Iraq, which hails the resolution but insists on a comprehensive solution to the conflict, may halt its raids on Iranian ships temporarily in response to the world body's appeal.

However, so long as Iran continues its war with Iraq, Baghdad will unlikely give up its efforts to choke off Iran's oil exports, the main financial source to support its war.

A total of 333 ships have been damaged in attacks by either Iraq or Iran since the war broke out in 1980, according to the insurers Lloyd's of London.

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CSO: 4000/114

NEAR EAST/SOUTH ASIA

INTERNATIONAL

BRIEFS

AFGHANISTAN CHARGES SOVIET CHEMICAL WEAPONS--Islamabad, July 27 (XINHUA)--  
The Soviet troops have used chemical gas in Arghandab area in Qandahar Province, south of Afghanistan, causing hundreds of people to suffer from eye and skin diseases, the AGENCY AFGHAN PRESS (AAP) reported today. The gas bombs were dropped by aircraft over the rural localities on July 20. Twelve villages in the area were affected. AAP said this is the third time for the Soviet troops to use chemical gas in the area since they occupied Afghanistan in December 1979. Earlier, Soviet MiG fighters dropped napalm bombs in Arghandab's adjacent areas of Dand and Panjwai, resulting in the destruction of crops and orchards. Many houses were also reduced to rubble. [Text]  
[Beijing XINHUA in English 1138 GMT 27 Jul 87 OW] /6662

CSO: 4000/114

## THATCHER VISIT INTENDED TO 'BOLSTER' REAGAN

OW190306 Beijing XINHUA in English 0158 GMT 19 Jul 87

[*"New Analysis: Thatcher Encourages and Prompts Reagan (by Yu Chengzhi)" -- XINHUA headline*]

[Text] London, July 18 (XINHUA)--British Prime Minister Margaret Thatcher, who won a historic third term in last month's general election victory, Thursday tried to bolster U.S. President Ronald Reagan's image as leader of the Western Alliance.

In a brief and busy 24-hour whirlwind visit to Washington, Thatcher tried to prevent Reagan's credibility crisis over the "Irangate" from threatening the prospects for a major East-West nuclear arms agreement.

A senior British official said Thatcher's mission was to "encourage and prompt" her conservative friend and ally in the White House.

This endorsement of Reagan's leadership during the "Irangate" was the strongest message of support he has ever received from a fellow Western leader.

Thatcher appealed to the American people to drop their obsession with the scandal and to prevent it from undermining Reagan's leadership of the Western world.

Her faith was impressive. "I know the President. I believe in the President, I believe he's a great leader and I believe even during this difficult period he has not let go his leadership role in any way," Thatcher told NBC.

Thatcher, who visited Moscow last March and has a good personal relationship with Soviet leader Mikhail Gorbachev, dismissed suggestions that Moscow is "dragging its feet" on arms control. Gorbachev wants an agreement so he can then pursue his new "exciting, historic and courageous" domestic policies, Thatcher said.

East-West relations and arms control deal were at the top of her agenda in the two-hour session with Reagan. This is where her own worries were and she did her best to boost Reagan's morale by dismissing suggestions that he is a lame-duck leader wounded by Irangate.

The Iran-Iraq war and a Middle East international peace conference were other issues Thatcher described as more important than U.S. Congress hearings on the scandal.

After their talks, Reagan and Thatcher agreed that United Nations Secretary General Perez de Cuellar should personally undertaken a peace mission for a ceasefire in the Gulf War. They agreed that if either or both of the warring parties refuse the U.N. call, a worldwide arms embargo should be imposed.

Thatcher also defended Reagan's decision to provide U.S. naval protection for Kuwaiti tankers flying American flags in the Gulf. Freedom of navigation must be maintained in the vital oil route, she said.

Three British royal navy warships have been patrolling the Gulf since 1980.

The two leaders moved closer to agreeing on an international conference on the Middle East conflict. The U.S. had been reluctant to approve the meeting because of concerns within the Israeli Government and its own unhappiness with the Soviet Union's increasing profile in the region.

Britain has been actively working recently to promote a peace conference. Thatcher met in London Israeli Foreign Minister Shimon Peres, Jordan's King Husayn and Moroccan King Hassan II to discuss the issue. They said it would be the most practical step towards a solution to the region's problems.

Thatcher said in a statement after her meeting with Reagan that she and Reagan had seen an opportunity to take a major step forwards in the Middle East peace process and had committed themselves to work for it.

During the visit, Reagan called Thatcher "a strong and principled leader in the international arena."

This visit to Washington and her stop in Moscow before the June 12 general election indicated that East-West relations are the priority of Thatcher's diplomacy.

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CSO: 4000/114

## FRG DOCUMENT COMPARES NATO, WARSAW PACT STRENGTHS

OW180824 Beijing XINHUA in English 0800 GMT 18 Jul 87

[Text] Bonn, July 17(XINHUA)--A senior Federal German defense official proposed that NATO and the Warsaw Pact should have a clear criterion with which to list their armed strength.

Inspector-General of Defense Diefer Wellershoff was making the proposal yesterday when he released to the press a military document called "Armed Strength Comparison: 1987".

He believed that having a clear criterion would be helpful in seeking stability and security in Europe.

The document issued by the Defense Ministry warned that the Warsaw Pact is superior in the number of a lot of items. For instance, the Warsaw Pact has 6 million soldiers while NATO (France and Spain included) has 5.3 million. The pact also has 14 thousand combat aircraft and 370 submarines of all classes and while NATO has 12 thousand and 290 respectively.

However, the Warsaw Pact has a slight disadvantage in the number of aircraft carriers and cruisers (40 against 60), and of destroyers and escort ships (300 against 420), the document said.

The United States has 11,000 stand-by nuclear war heads, 500 more than the Soviet Union. However, the document said, the Soviet Union has a lead in medium- and short-range weapons.

Wellershoff said there has been no indication so far that the Warsaw Pact intends to reduce its military forces. It is developing its superiority in its weapons either in terms of quantity or quality.

He said nuclear disarmament would further strengthen the East Bloc's conventional superiority. Disarmament should be primarily designed to stabilize the situation in Europe, he said, adding that disarmament both in nuclear and conventional weaponry should benefit the target.

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CSO: 4000/114

WEST EUROPE

INTERNATIONAL

BRIEFS

UK TO PUBLISH DENG XIAOPING'S WORKS--London, Jul 22 (XINHUA)--A contract was signed here today for the publication of the second edition in English of "Selected Speeches and Writings of Deng Xiaoping." The contract was signed by Robert Maxwell, publisher of the Pergamon Press, and Pan Rongting, deputy-director of China's Central Party Literature Publishing House. The first edition was published in 1984 by the Pergamon Press as part of the "World Leaders' Series." The second edition, to be published in October, has been added with nine colored photographs and three major articles including "One Country, Two Systems," "Build Socialism With Chinese Characteristics" and "Speech at the National Conference of the Communist Party of China." The Chinese publishers' delegation, headed by Pan Rongting, came here on July 16 for a week-long visit. [Text] [Beijing XINHUA in English 0156 GMT 23 Jul 87 OW] \6662

CSO: 4000/114

## AMBASSADOR ATTENDS NICARAGUAN ANNIVERSARY PARADE

OW202352 Beijing XINHUA in English 2337 GMT 20 Jul 87

[Text] Managua, July 20 (XINHUA)--40,000 Nicaraguan civilians and armymen attended Sunday a ceremony marking the 8th anniversary of the triumph of the Sandinista revolution held at the "Comandante Hector Flores" Square in Matagalpa City, 130 kilometers from Managua.

The site of the event was heavily protected by thousands of troops who patrolled the roads and held strategic positions around Matagalpa.

Speaking at the ceremony, Nicaraguan President Daniel Ortega Saavedra condemned the U.S. aggressive policy against Nicaragua and urged a more energetic action from the Contadora Group and the Lima support group to resolve the Central American crisis.

He said the United States is waiting for propitious conditions to attack Nicaragua.

Ortega said the Reagan administration has been sabotaging the dialogue and negotiations for a peaceful solution to the regional problem and is still trying to sabotage a presidential summit in Guatemala.

The Nicaraguan president said the low intensity war against Nicaragua is really an intervention war in which the United States has invested 15.6 billion dollars, including the logistical support for the Nicaraguan counterrevolution.

The event was attended by Oliver Tambo, African National Congress Chairman from South Africa, delegations from Puerto Rico, Spain, Switzerland, Dominican Republic, as well as the Diplomatic Corps accredited in Nicaragua, including Chinese Ambassador Yu Chengren.

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## VICE FINANCE MINISTER ON CONTRACTED MANAGEMENT

OW170625 Beijing XINHUA Domestic Service in Chinese 1422 GMT 16 Jul 87

[Text] Beijing, 16 Jul (XINHUA)--Speaking on the enterprise contracted management system at a national conference on finance work which ended today, Chi Haibin, vice minister of the Ministry of Finance, said: In implementing the enterprise contract system, on the one hand, it is necessary to consider the interests of both the state and the enterprise, while on the other, it is also necessary to let the enterprise achieve the best economic results.

Concerning this question, he offered a seven-point view as follows:

-- An enterprise's contract obligations to the state are the income and regulatory taxes it pays the state. A losing enterprise can also be contracted out. Product, appreciation, and business taxes are not contract obligations.

-- Profit-making large and medium-size industrial enterprises can implement various types of management responsibility system. Losing enterprises can implement the contract management system to reduce losses by sharing with the state the amount of loss so reduced. The contract management system is not limited to losing enterprises only. Profit-making enterprises may also implement the system. But the process will be gradual, and take some time.

-- In setting an enterprise's contract base, it is necessary to take a scientific and rational approach. Generally, the base is set in accordance with the income and regulatory taxes paid by the enterprise in 1986, with some increases based on the enterprise's current conditions. The contract base should be neither too high nor too low.

-- A profit-sharing ratio between the state and the enterprise must be set for profit and regulatory tax payments in excess of those set by the contract. Thus, the more the excess payments, the more the enterprise can retain for itself. However, when an enterprise fails to meet the tax obligations set in the contract, it should make up for the deficiency with its own funds.

-- In principle, renovations undertaken by a contracted enterprise should be funded by the enterprise itself. However, if a contracted enterprises is allowed to keep only a minimal amount of profit and is thus unable to fund its own renovations, the provincial, municipal, or state finance department should lend a helping hand by making certain subsidies. Specific measures and the size of subsidies will be worked out by the finance departments according to different local conditions.

-- A contracted enterprise should perfect its own internal economic responsibility system as soon as possible, and ensure fulfillment of the various contract targets by the workshops, teams, groups, and individuals. Otherwise, it would be very difficult for the enterprise contract system to achieve any real results.

Chi Haibin said: In implementing the enterprise management contract responsibility system, there are three problems which should merit our attention: First, it is necessary to effectively control unauthorized price increases. A contract enterprise's increased income gained from price rises either authorized by the state or made by the enterprise itself within the limit of its authority should be calculated separately. Income tax should be paid according to the law for the net income thus gained after paying product, appreciation, and business taxes and deducting cost increase. All income gained from unauthorized or hidden price increases will be confiscated, and the enterprise will also be fined according to relevant regulations. Second, it is necessary to strictly prevent the consumption fund from getting out of control. For contract enterprises linking their wage payments to economic results, all retained profits should be spent on production. Contract enterprises not linking wage payments to economic result, must ensure that the lion's share of the retained profit be spent on developing production and technical innovation, while a small portion be spent on welfare and bonuses. Third, the various localities and departments should not apportion their own expenses or collect money from the enterprises, nor should they take away from the enterprises the extra income they have gained from overfulfilling their contract obligations. Otherwise, the interest-sharing system of the contract management responsibility system would be interrupted, and the contract system itself fail. Enterprises have the right to reject these unreasonable expense-apportioning and fund-raising requests. Otherwise, we would not be able to further invigorate them.

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CSO: 4006/835

## ANALYSIS OF MACROECONOMIC SITUATION

Beijing JINGJIXUE DONGTAI [TRENDS IN ECONOMICS] in Chinese No 11, 5 Nov 86 pp 4-7

[Article by Hei Aitang [7815 1947 1016]: "Analysis of the Present Economic Situation"]

[Text] China's economic system is now in the process of shifting from the old to the new, and there is a great deal of conflict and friction in economic activity. Many "vacuum zones" have cropped up in the area of macrocontrol, creating varying degrees of loss of control. This is reflected in the current economic situation, with unstable factors existing within economic stability, shortages and overstocking occurring simultaneously, and economic growth intermingling with a decline in results. Therefore, the key to developing the present very good economic situation lies in conscientiously studying these circumstances, adopting practical measures, and pushing reform.

### I. Unstable Factors Concealed in Stability

The problem of "overdistribution" of national income began in the fourth quarter of 1984; as of the first half of this year, results have been achieved following the central government's adoption of a series of measures to strengthen macrocontrol: the overheated rate of industrial growth has been brought down, with GVIO increasing by 4.9 percent over the same period last year; it is expected to reach 7 to 8 percent for the whole year. The growth rate seems to be returning to normal. Stocks of the means of production are increasing, there is a fairly ample supply of retail commodities, price increases are gradually easing, and markets are stabilizing. Urban and rural savings deposits are increasing greatly, withdrawal of currency from circulation is proceeding well, and the society is stable. Compared to last year's shortages, things have clearly changed. This represents the stable aspects of the current economic situation.

In another respect, comparing the first half of this year with the same period last year, we find that investments in fixed assets under the system of public ownership increased 17.3 percent; following on last year's 38-percent increase for the same period, this increase is still very high. In addition, this year's plans call for 7 percent less than what was actually completed last year, yet not only has there been no decline this year, the increase actually

continues very high and is very far from the requirements of the state plans. Comparing the first half of this year to the same period last year, cash expenditures for wages by banks increased 20.4 percent, and total wages of staff and workers under the system of public ownership rose 20.1 percent, both much higher than the increases of 4.9 percent in industry, 5.1 percent in light industry, and 0.2 percent in productivity for the same period. In short, there was no basic improvement in the overdistribution of national income in the first half of this year, either in terms of increase in investment or in terms of growth in consumption funds. In particular, the overdistribution of national income sustained over several years has led to many conflicts in accumulation, among the more outstanding of which are the following: socioeconomic benefits have declined, and this has been especially severe in big cities and in old industrial bases; credit income and expenditure are unbalanced, with enterprises experiencing major shortages of circulating funds, a conflict that is growing worse every day; there is a foreign trade imbalance, with foreign exchange on hand and customs income declining while foreign trade losses and financial subsidies are increasing; financial income and expenditure are unbalanced, with expenditure increasing rapidly while income is declining, with income falling far short of expenditure. These are some of the unstable factors in our present economic work.

Thus the coexistence of stable and unstable factors is an important characteristic of the current economic situation. Our task is to positively develop the stable factors and overcome the unstable factors in order to set the stage for proceeding with reform.

## II. Shortages and Overstocking Are Increasing Simultaneously

In the last few years China's investment in fixed assets has grown too quickly, as have her consumption funds. This has pushed demand in China to new heights, and the problem of shortages causing restrictions continues to grow. According to the pertinent statistics, from the first through the fifth 5-year plans investment in the energy, communications, and raw materials industries accounted for approximately 50 percent of all social investment; by 1985 this percentage had dropped to 21 percent. The electrical lead factor is always greater than 1, and sometimes as high as 2, both in industrially developed countries and in developing countries. In China, from 1953 to 1980, the electrical lead factor was 1.33. After the start of the Sixth 5-Year Plan, this ratio dropped quickly, to 0.7 in the first 3 years, and to 0.52 and 0.44 in 1984 and 1985. In the first half of this year, power generation increased 8 percent, much higher than the 4.9 percent increase in industry for the same period, but power supply is still unusually tight. The steel shortage has been compensated in the last few years by heavy imports. Steel imports rose from 3.33 million tons in 1981 to 19.63 million tons in 1985, exceeding domestic production by half. Import levels this year will be roughly the same as last. Once the foreign exchange available for imports has been reduced, the supply of steel may be very tight. The supply of the means of production is very tight, and the same is true for consumer goods. As of the end of 1985, surplus buying power reached more than 250 billion yuan. In the first half of this year, the supply of retail commodities was quite good, but for the year as a whole there is still a significant gap between buying power and the available commodities, making it impossible to be excessively optimistic about market

supplies for the second half of the year. Therefore, restricting demand, improving supply, and better solving the problem of overdistribution of national income are still the chief topics to be considered in our current economic work.

At the same time as excessive demand and restrictive shortages are still developing, problems of overstocking are also coming to the fore. In the first half of this year, there has been a rapid increase in stocks of coal, steel, cement, and lumber. As of the end of June, steel stocks had reached 27.39 million tons, an increase of 3.99 million tons, or 17.1 percent, over the start of the year, and 4.97 million tons, or 22.2 percent, over the same period last year. In 1983, with the approval of the State Council, 15.3 billion yuan in electromechanical equipment was scrapped, causing significant losses. By the end of 1985, stocks reached 57.2 billion yuan, approaching the levels prior to the scrapping. This situation is continuing this year; at the end of the first quarter this year, automotive overstocking reached 100,000 vehicles. Among consumer goods, medium- and high-grade goods, especially brand-name products, are in short supply, while large quantities of popular and dependable goods and goods ill-suited to the market are overstocked. By the end of June the total value of overstocked commodities in the commercial system reached 2.48 billion yuan; of this, overstocks of polyester-cotton blends, medium and long fibers, and electric fans alone amounted to 2.1 billion yuan. From January through May, stocks in the Ministry of Light Industry's system increased by 2.6 billion yuan, primarily in clothing, matches, low-grade distilled spirits, and copiers. From January through May, budgeted stocks of finished products of state-run enterprises reached 40.3 billion yuan, an increase of 9.2 billion yuan over the first of the year; in May alone, the increase was 4.8 billion yuan.

The main reason for this current increase in stocks is that, with the momentum of increasing demand slowing down and the market being relatively stable, conflicts in supply were temporarily submerged, while problems in product type and quality came to the fore. This tendency shows up very clearly in the supply of consumer goods. As living standards rose, the demand for consumer goods quickly turned toward medium- and high-grade goods. This is not only reflected intensively in the "three pairs and one color," but also in demand for given types of commodities. In clothing, for example, demand turned toward woolens, silks and satins, and down; in food, demand turned toward fast food, processed foods in soft packaging, and various gourmet foods; the demand for articles of everyday use turned toward high-grade sets of ceramic ware, sets of glassware, and stainless flatware; demand for furniture turned toward suites; and so on. When market supplies were tight, buyers were like hungry people, not choosy about their food; once the market situation improved, buyers became more selective, refusing to buy poor-quality, outmoded, or unreasonably priced goods, so that consumers were more inclined to hold and save their money rather than buy.

Shortages and overstocking would seem to be contradictory, yet they developed simultaneously in the particular environment of the transition from the old to the new system. Shortages require that supplies be increased; overstocking hurts supply and worsens the shortage, so that the contradiction is even more acute.

### III. Economic Growth and Declining Economic Benefits Overlap

Comparing the first half of this year with the same period last year, there was a considerable decline in the increase in industrial production, though there was still an increase, whereas economic benefits declined from last year. Comparing the first 6 months of this year with the same period last year, the GVA of budgeted state-run industrial enterprises rose 2.9 percent, and their sales income rose 6.3 percent, while their profits dropped 12 percent. The number of such enterprises suffering losses increased by 1,604, the cost of comparable products rose 4.2 percent, and income taxes declined 4.5 percent. The decline was especially severe in many large cities and old industrial bases. Among 10 of the country's largest cities, only Harbin, Dalian, and Shenyang had industrial growth rates of more than 4 percent in the first half of the year; all the others were under 3 percent, with Tianjin having 2 percent, Shanghai 1.9 percent, and a decline of 0.8 percent in Beijing. In the first half of the year, profits and taxes dropped 6.8 percent in Tianjin, 7.5 percent in Shanghai, 2 percent in Liaoning, and 8.3 percent in Jiangsu. The decline in the economic results of enterprises, especially in large cities and old industrial bases, will threaten the foundation of the entire national economy and merits close attention.

According to various analyses, the main reasons for the current decline in economic benefits are: inadequate supplies of raw materials and higher prices; very tight power supplies, inadequate for enterprise production; shortages of circulating funds; problems in wage distribution, etc. The most basic of these, however, are: 1) Swollen demand and lack of control over the scale of investment; the investment structure is especially irrational, and conflicts are increasing among the energy, communications, and raw materials industries and the processing industry; shortages lead to restrictions, costs are rising sharply and cannot be absorbed by enterprises, so their economic returns decline. 2) Reform of the urban economic system is just beginning, and there has been no basic change in the compartmentalized system; rapidly developed township enterprises and small, local enterprises are aided by administrative protections, using up materials, producing popular, dependable goods, and selling at high prices; however, raw materials cannot be assured for enterprises in big cities, prices have risen sharply and the state maintains stringent price controls over their products, putting them at a competitive disadvantage and lowering the benefits of distributing resources. The current decline in economic benefits is not due to any accidental factors; rather, it is due to gaps in the economic model and overdistribution of national income sustained over several years. The conflicts accumulated because of this are intensively reflected in peculiar historical conditions. If we do not fully understand this, or take weak measures, it is possible that we will experience a sagging economy for some time to come.

According to the above analysis, the various conflicts and problems in our current economic work are all related to the changeover from the old system to the new. In the process of reforming the economic system, it is difficult to avoid confrontations and deadlocks between the old and new systems, and the appearance of certain conflicts and problems. This cannot last long, however, or it will hinder reform of the economic system and development of the

national economy. It is now urgently necessary to summarize our experience, bring the environment under control, smooth out relationships, and break through the confrontation between the old and new systems, so that the new system will assume the dominant position.

1. Strengthen and improve macrocontrol, restrict demand, achieve an approximate balance between total supply and total demand, and create the conditions for further reform. Recently, Xue Muqiao [5641 2550 2890], discussing the relationship between reform and bringing the environment under control, said: "If total demand is controlled, adopting a major program (referring to reform) will not pose too great a risk; if control is not achieved, then even a small program will involve a great risk, and it will be difficult to achieve success." With demand in China having increased over several years, and with no basic turnaround having yet been achieved, pushing reform requires that we first bring down demand in order to create a more relaxed environment for reform. Restricting demand requires solving the problem of excessive growth in investments in fixed assets; it also requires solving the problem of excessively rapid growth in consumption funds, but the key is in controlling the scale of investment. Restricting demand cannot be done through arbitrary uniformity; different cases must be handled differently, with some approaches retained and others rejected, and some approaches put off for later; this must be combined with improved and increased supply. With market mechanisms still being very incomplete, restricting demand requires that we draw support from administrative authority and adopt the necessary administrative measures, while at the same time adopting positive economic methods. The transition from reliance primarily on administrative regulatory measures, as in the past, to economic regulatory measures can only be achieved when reform of the economic system has reached a certain level.

2. Positively overcome the various unstable factors in our current economic work and develop a good economic situation. The present economic situation, with stable and unstable aspects overlapping one another, one growing and the other declining, may quickly affect the entire national economic situation. If the current decline in the economic benefits of enterprises, with increasing foreign trade losses and financial subsidies, expanding deficits, and a growing credit shortfall, continues and develops into a mighty torrent, this may destroy the relative stability of the present economic situation. Therefore, one pressing task now is to quickly reexamine our program in finance, credit, supplies, and foreign exchange; in keeping with the principle of spending according to income, we must resolutely lop off those expenditures and plans that we do not have the resources for, striving to achieve an overall balance in the national economy on the basis of individual balances. Only in this way can we assure the stability of the national economy and proceed with planned reforms to promote economic development.

3. Conscientiously readjust the national economy. Focus on proper readjustment of the investment and production structure and the product mix. The investment structure determines the economy's industrial structure, technological structure, enterprise composition, and product mix. It was an irrational investment structure that destroyed from the bottom up the normal proportional relationships of the national economy. Therefore, readjustment of

the investment structure is an "innate" readjustment. The irrationality of the current investment structure is primarily a matter of loss of control over nonbudget investment. Readjustment of investment must be based on effective control of nonbudget investment. The production structure is the result of putting the investment structure into effect. Therefore, readjustment of the production structure is an "acquired" readjustment. The readjustment method is primarily a matter of trimming and supplementing, supporting and eliminating, according to the demands of national economic development and market changes. This is because it affects the vital interests of local governments, departments, and the masses of staff and workers and can easily become a mere formality. Readjustment of the product mix is an "adaptive" readjustment. Socialist enterprises are still commodity producers, and their products must be adapted to changes in market demand; readjustment of the product mix must be "automatic." At present, it is only possible to adopt certain economic, administrative and legal approaches to push this type of readjustment. The foregoing refers to a threefold readjustment; the three aspects are interrelated, and none must be omitted. Readjustment is a consolidation of the successes already achieved and the starting point for new growth.

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## CHANGES IN NATIONAL ECONOMIC ACCOUNTING SYSTEM URGED

Beijing JINGJIXUE ZHOUBAO in Chinese 19 Apr 87 p 2

[Unattributed article: "The National Economic Accounting System Must Be Changed"]

[Text] According to Yang Jike [2700 4764 3784], CPPCC member and vice governor of Anhui Province, China's national economic accounting system, in the macroeconomic sense, encourages extensive growth, rather than promoting an intensive growth strategy or reformist approach. Since the 12th CPC Congress, we have proposed to quadruple the GVIAO by the end of the century, predicated on a steady increase in economic results. In the process, however, everyone has only kept the first half of the statement in mind, and has forgotten the latter half. This is related to shortcomings of the system of accounting in China. A major drawback of the accounting system heretofore in place in China is a lopsided pursuit of GVIAO. We only record production, and not investment, only note things, and not people. As a result, the output value of some tertiary industries is not computed in. Factories only seek output value, and do not pay attention to results. Plant managers are not punished as a result of high investments or because products will not sell, but if output value does not rise, those same managers will suffer. Consequently, everybody pursues output value and production rates with all their might.

Yang pointed out most important criterion that management by objective is extremely popular in Western countries, and its economic returns. According to this theory, there are three objectives, each determined by the quality of the product. When the product is of low quality, the output is the objective. Attention is paid only to quantity and not to cost. When the product is of medium quality, cost is the objective. Attention is paid not only to quantity but also to cost. When the product is of high quality, economic returns is the objective. Attention is paid not only to quantity and cost but also to overall economic returns. China presently manages by the first objective. We do not take seriously investment costs and the economic results of output; rather, we engage in a one-sided pursuit of output. For example, extraction is not coordinated with transport at some coal mines, so the more coal that is extracted, the more serious the stockpiling. Since the coal that is produced cannot be shipped out, the result is spontaneous combustion, and

sheer waste. To mine coal, we must invest labor, materials, and funds, so when coal is wasted, we end up with negative economic results. In addition, some of the coal cannot be sold, which leads to overstocking; such products play no part in the national economy, so economic results are out of the question. Management by the second and third objectives is not present in China's current overall national economic accounting system. Although industrial development has been quite rapid over the past several years, economic results have declined. This has to do with such things as inferior quality, high consumption, slow capital turnover, and large-scale waste of labor, time, and capital. We must rid ourselves of this malady.

Yang emphatically proposed that we alter the accounting system, and alter it now. But there is a great deal of resistance because by employing the present method of accounting, output value can be computed many times over. If this accounting approach were changed, the contradictions extant at many factories would be exposed, to the point where some plants might even be shut down. Consequently, we must make a determined effort to bring about large-scale reform in this regard, and, through experimentation, put together a truly feasible economic accounting system appropriate for China.

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## ANHUI PLANS FOR INDUSTRIAL PRODUCTION

Hefei ANHUI RIBAO in Chinese 11 Apr 87 p 1

[Unattributed article: "Provincial Governor Wang Yuzhao [3769 6735 2507], During a Telephone Conference, Urges In-Depth Development of the 'Dual Increase and Dual Conservation' Campaign and Doing a Good Job of Industrial Production During the Second Quarter"]

[Text] On the evening of 9 April, the provincial government convened a telephone conference to summarize and analyze industrial production during the first quarter and to plan economic work for the second quarter. At the conference, Provincial Governor Wang Yuzhao called upon leading cadres and rank-and-file staff members and workers in all jurisdictions, all trades, and all industries throughout the province to rally spirit, rouse enthusiasm, emphasize results, work together in unity of purpose, overcome difficulties, and develop in greater depth and more solidly the campaign to increase production, cut costs, increase income, and cut expenditures to win new victories in industrial production during the next several quarters.

Governor Wang Yuzhao said that as a result of the impetus generated by the "dual increase and dual conservation" campaign, the province's industrial production for the first quarter was good. Its main features were as follows: First was steady, coordinated development. The GVIO for the whole province was 6.09 billion yuan, up 9.5 percent from the same period in 1986. Light industry and heavy industry, state-owned enterprises and collectively owned enterprises, production and sales all showed all-round increases. Second was a rise in economic results. Industrial enterprises covered by the budget realized increased profits and tax revenues and paid profits and taxes, the two categories being 11.4 and 11.5 percent greater, respectively, than for the same period in 1986. Turnover of fixed amounts of circulating capital was 4.2 days faster. Total retail sales increased 21.7 percent; the export trade grew 39.6 percent, and government revenues rose month after month in a 3.5-percent increase. This demonstrated that the province's economic development had shifted to a path of smooth and steady development. Third was a large rise in output of products to support agriculture. Fourth was continued growth of readily marketable products of light industry and the textile industry and electronic manufactures. Of 16 kinds of textile, light industrial, and electronic products, 14 increased over the same period last year. Fifth was rather good availability of electric power. During the first quarter,

electric power generation for the province was 15.39-percent higher than during the same period in 1986. Electricity use increased 10 percent. Sixth, there was an increase over the same period in 1986 in local passenger and freight traffic for a rather good fulfillment of quota. Governor Wang also noted that development of industrial production during the first quarter was not as even as it should have been. Seven industries and eight prefectures and municipalities had an industrial production that was higher than the average for the province as a whole. In three industries and eight prefectures and municipalities, it was lower than the average for the province as a whole. By taking a firmer hold on our work and solving some problems a little faster, production can be made better.

In his talk, Governor Wang emphasized that the second quarter would be a golden quarter for industrial production. In order to insure overfulfillment of plans for the entire year, the GVI0 would have to be kept at 7 billion yuan, an 11.6-percent increase. All economic indicators would also have to be better than for the same period in 1986. Prefectures and cities as well as trades and industries would have to break down and be responsible for carrying out these indicators. He called upon government at all levels and all departments and enterprises to be sure to concentrate on the several tasks given below.

--Continue to make the "dual increase and dual conservation" campaign more pervasive. Leaders at all levels should increase their level of understanding, and guard against shortlived efforts and merely going through the motions. At the present time, they should continue to arouse the masses more fully and genuinely stir their zeal for countering waste, plugging loopholes, and assembling movable property. They should also devote attention to the level-by-level breakdown and implementation of all norms and measures in an effort to score a breakthrough advance.

--Continue energetic efforts in organizing increased production of merchandise that sells well and that can be exported to earn foreign exchange. Production of slow-selling merchandise should be restricted; all-out efforts should be made to increase output of various products that support agriculture as well as machine-made paper, electric refrigerators, renowned alcoholic beverages, high-quality cigarettes, color movies, brand-name bicycles, and various kinds of commodities for summer use. Authorities concerned should make priority arrangements for the raw and processed materials, energy, capital, and transportation needed to increase output of readily salable merchandise and export products that earn foreign exchange. Use of foreign exchange for non-productive purposes should be curtailed, and vigorous efforts should be made to tap potential for dividing up foreign exchange among units in order to even out the availability of foreign exchange. Limited foreign exchange should be used for the importation of critically needed raw and processed materials, original parts, and spare parts, and to increase output of readily marketable goods. Production of export goods should be actively organized and export costs lowered to earn more foreign exchange. Foreign trade units should do a good job in providing service and in enlivening business, striving to expand export transactions.

--Take a firm grip on the conservation of energy and reduction of consumption. Norms must be broken down level by level and firm action taken to implement them. Second, some forceful actions must be taken, such as instituting rewards for conservation and penalties for overconsumption, adjustment of loads and conservation of electricity, development of highly efficient energy-saving equipment, and speeding up the replacement of useless equipment. Third is attention to technical improvements that conserve energy and lower consumption, launching an attack on the "three boilers and furnaces" in industry, and replacing high-consumption equipment.

--Vigorous promotion of technical progress. In view of the prevailing atmosphere of cutbacks, technical transformation and development of new products that provide good economic benefits should be maintained, and every means should be used to open sources of capital and to secure more investment. In organizing implementation, units in charge in all jurisdictions and in all industries should be sure to highlight projects that can go into production and show results during 1987, highlight energy conservation and reduction of consumption and the updating of products, highlight key projects that increase reserve strength, and highlight projects that earn foreign exchange from exports or that produce foreign exchange at low cost. They should strive to shorten construction periods, and aim at going into production early and producing results early.

--In-depth reform and further enlivening of enterprises. All jurisdictions and units are to conscientiously carry out various regulations from the State Council pertaining to in-depth reform of enterprises and the spirit of 1987 Anhui Provincial CPC Committee and Anhui Provincial Government Document No 6. As circumstances warrant, they should help enterprises in the selection of suitable operating contract responsibility systems. All enterprises that have not yet instituted operating contract responsibility systems must do so across the board before the end of May. Those enterprises that have already instituted contract responsibility systems are to carry them into effect level by level and thoroughly arouse enthusiasm for them among staff members and workers. In addition, they should continue to simplify government and delegate authority, further restructure administrative companies at all levels, put a firm halt to arbitrary assessments, and genuinely protect enterprises' rights.

--Get a firm grip on small urban collective industries, county-operated industries and township industries. Of most importance currently is the dovetailing of their supply, production, and marketing, the contracting of operations, coordinated joint management, and helping small enterprises currently facing numerous difficulties to solve their real difficulties. Attention should also be devoted to the development of new city-operated collective enterprises.

Zhao Huishou [6392 2037 1108], secretary general of the provincial government chaired the conference and made concrete proposals on how to implement the spirit of this conference.

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## HEILONGJIANG'S 1987 FIRST QUARTER INDUSTRIAL OUTPUT

Harbin HEILONGJIANG RIBAO in Chinese 9 Apr 87 p 1

[Article by Li Jie [2621 2638]: "Province's First Quarter Industrial Output up 9.9 Percent; Speed of Growth Lower Than National Average; Development Uneven; Economic Results Less Than Ideal; 14-Percent Decline During Last 2 Months in Profits of Industrial Enterprises Included in Local Budgets; 31.1 Percent Increase in Losses; and 8.3 Percent Rise in Comparable Product Costs"]

[Text] Recently published figures from the Heilongjiang Provincial Statistical Bureau show steady growth in industrial output throughout the province during the first quarter. Completed GVIO increased 9.9 percent over the same period in 1986. Except for Heihe Prefecture, where a decline occurred, 14 prefectures and municipalities showed varying degrees of increase. The three key cities of Harbin, Qiqihar, and Jiamusi showed increases of more than 10 percent over the same period in 1986. Seven prefectures had increases of more than 10 percent, and Suihua Prefecture had a 23.3-percent increase for first place in the province.

First quarter industrial production for the province showed an 8.1-percent increase over the same period in 1986 for large and medium-size industrial enterprises, and an 8.2-percent increase for heavy industry, which played an important role in the steady development of industry for the province as a whole. Growth was fastest for township-run industries which showed a 24-percent increase for during January, a 63.9-percent increase for February, and a 36-percent increase for March.

During the first quarter, the province's light industry strove to increase output of readily marketable goods such as woolen yarn, sugar, beer, and dairy products in which the province enjoys an advantage, increasing output by more than 30 percent. The textile industry increased output by 18 percent, the chemical fiber and woolen textile industries each registering increases of 31.7 and 37.2 percent, respectively. The cigarette industry increased output 34.1 percent.

Output of the farm machinery industry staged a rally for a 32.9-percent increase over the same period in 1986. The farm machinery industry's production increase was attributable primarily to readily marketable small, four-wheeled tractors, 6,981 of which were produced in March in a 43-percent

increase over the same period in 1986. Plants producing associated equipment were also imbued with vitality. Very great changes are forecast for farm machinery production during 1987.

Chemical fertilizer production by small plants also showed an upturn, but certain difficulties in production remain. Consumption of coal and electric power declined in the Haolanghe, Heihua, Ning'an, and Boli nitrogenous fertilizer plants while both production and sales flourished. Six of nine small phosphate fertilizer enterprises operated and three halted production.

Some noteworthy problems remained in the province's industrial production during the first quarter of 1987. For example, there has been a serious production slump in Heihe Prefecture since the beginning of the year, mostly as a result of insufficient work for large and medium-size enterprises and a shortage of raw and processed materials. At the Qinghua Tool Plant, the small amount of export work has hurt production. A shortage of raw materials at the Shuangshan Sugar Refinery in Nenjiang Prefecture has caused a 51-percent drop in production over the same period in 1986. In Shuangyashan City, production has fallen mostly from lack of electric power and work; slack product sales have forced one-third of enterprises making machinery to halt production.

Heilongjiang Province holds 20th place in speed of growth among the country's provinces and municipalities. This is lower than the national average, and also lower than for Liaoning and Jilin provinces.

It must be noted that economic benefits are less than ideal. During the past 2 months, profits of industrial enterprises included in cumulative total local budgets have declined 14 percent over the same period in 1986, and losses have increased 31.1 percent over the same period in 1986. Comparable product costs have risen 8.3 percent. This has resulted primarily from the rise in prices of raw and processed materials and electric power, and the shortage of capital. Some enterprises have halted or partially halted production.

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## YUNNAN EMPHASIZES MATERIALS, ENERGY CONSERVATION

Kunming YUNNAN RIBAO in Chinese 23 Mar 87 p 1

[Article by Xiao Yang [4607 7122]: "Conservation of Energy and Decrease in Consumption Are Important Ways To Increase Earnings--Commentary on Yunnan Province's 'Dual Increase and Dual Conservation' Campaign"]

[Text] How has the "dual increase and dual conservation" campaign on the province's economic front fared following the call from the CPC Central Committee and the State Council for a nationwide increase in production and conservation of costs, and for increased income and conservation of expenditures? What more should be done? The correspondent visited some departments and units to find the answers to these questions.

"Dual increase and dual conservation" is a long-range program for increasing economic benefits. This is a common view that we hear in all departments and units. Yuxi Cigarette Plant plant manager Chu Shijian [5969 2514 0256] told the correspondent that arduous struggle, hard work, and thrift are our old traditions; however, they are also new problems that we must solve. He said that these old traditions have been used to administer the country and run enterprises, and they have made our enterprises flourish. He said that the new problems are that as economic benefits have taken a turn for the better in recent years, a tendency toward extravagance and waste has arisen in some enterprises, a considerable amount of money having been wasted. Despite increased production, many units have been unable to increase profits and taxes. Consequently, the problem of how to maintain old traditions during the course of economic reform to make economic results better cannot be said to be a new problem. Numerous enterprises have a somewhat common feeling about this. As soon as the CPC Central Committee and the State Council issued the call to increase production and reduce costs and to increase income and reduce expenditures, they went into action at once. After studying the situation in subordinate enterprises, the Kunming Municipal CPC Committee decided to increase output of 87 different kinds of readily marketable products, and set about at once to solve problems about raw and processed materials needed to increase output. The provincial seventh industrial bureau, the coal department, the electric power bureau, the chemical industry department, and the Light Industry Department all presented their own plans for "dual increase and dual conservation" on the 10th day following announcement by the provincial economic commission of the "dual increase and dual conservation"

campaign. It decided to increase output of products to support agriculture, to increase output of readily marketable products, and to increase output of raw and processed materials to insure requirements of other industries and to promote increased social benefits. The speed of reaction and the quickness in action were such as had been rarely seen in previous economic campaigns.

The fundamental goal of "dual increase and dual conservation" is to improve economic results; more pervasive reform of enterprises and stirring staff member and worker enthusiasm for labor are ways to attain this goal. For this reason, numerous enterprises have linked pervasive reform of enterprises with "dual increase and dual conservation." During 1986, the Kunming Synthetic Detergent Plant instituted strict controls, linking attainment of output, quality, and consumption norms to individual earnings, thereby effecting a saving of 837 tons of six primary raw and processed materials for the whole year, lowering costs by 42.48 yuan per ton of product and saving 753,200 yuan, or 75 percent of profits for the whole year. In 1987, the plant continued to apportion economic norms to individual workshops, and costs declined further. The provincial metallurgy department has promoted rewards for the conservation of raw and processed materials ever since 1981, a percentage of the conservation effected by consumers being withheld for payment of bonuses. Over a 5-year period, 45.3 million yuan has been saved. The Huize Lead and Zinc Mine, which is subordinate to the provincial metallurgy department, instituted bonuses for conservation, realizing savings on 17 of 19 raw and processed materials for a saving of 1,914,000 yuan. In 1987, the mine again formulated consumption norms for raw and processed materials, expanding the number of categories for which bonuses would be paid for conservation, and economic results rose again. As a result of pervasive reforms, some units in which economic results had been rather poor realized increased earnings and reduced expenditures. The Zhaotong Municipal No 1 Brick and Tile Plant had formerly shown poor economic performance. At the beginning of this year, however, it instituted a wage system based on raw materials used per 10,000 bricks and linked compensation to output. In 1987, monthly output was 25 percent higher than equipment capacity, and the total wage bill was 2.3 percent less than formerly.

What else can be done to expand the province's "dual increase and dual conservation" campaign? Comrades in the materials department of the provincial statistical bureau gave their views. In order to control materials, the province's "dual increase and dual conservation" campaign has to make efforts to conserve energy and lower consumption. In recent years, the province has achieved a certain amount in the conservation of energy and in reducing consumption. Comparison of 1986 with 1985 shows consumption per 10,000 yuan of GVI0 in industrial enterprises at the township level and above throughout the province to have been lowered 2.6 percent for coal, 10.9 percent for pig iron, 13.9 percent for processed steel, 11.8 percent for cement, and 26 percent for timber. During 1986, 4,950 tons of refined petroleum products were saved. Nevertheless, despite all this, there has been a tendency toward a rise in consumption of numerous raw and processed materials. Aluminum consumption, for example, has risen 14.3 percent; consumption of sulfuric acid has risen 20 percent; and coke consumption has risen 2.2 percent. Key indicators checked in industrial and transportation enterprises during 1986 show a rise in 22, or 44 percent of the total number,

and a decline in only 20, or only 40 percent of the total number. In one unit, consumption of materials per each ton of steel produced was 29 kg greater in 1985 than in 1984. On the basis of that unit's annual steel output, 5.8 million yuan will be lost annually. High consumption of materials has a bearing on inability to reduce product costs. Materials account for a large percentage of the cost of enterprises' products throughout the province. According to a survey of some enterprises in the metallurgy, chemical industry, light industry, construction materials and nonferrous metals systems, consumption of raw materials, fuel and power account for 74 percent of product costs, raw and processed materials accounting for 65 percent. By reducing consumption of raw and processed materials, enterprise earnings can be increased greatly.

Leading comrades concerned in the provincial economic commission maintain that reduced consumption will require good work in the following regards: First, is a clear-cut statement of the goals of struggle. During 1987, consumption of materials per 10,000 yuan of output value throughout the province is to be 2 percent less than during 1986. At this rate, 100 million yuan can be saved. Using this as a criterion for control, all jurisdictions and all departments will have to formulate specific conservation plans and issue them to enterprises. Second is the establishment and perfection of a control system. The provincial economic commission is responsible for overall leadership in the conservation of raw and processed materials and coal. All jurisdictions are to set up and perfect quickly work organizations as stipulated in pertinent provincial government documents. Large and medium-size industrial and transportation enterprises and capital construction units are to make principal leaders responsible for this work. Third is the formulation of criteria for checking. In formulating and handing down conservation plans, departments at all levels are to check consumption norms for raw and processed materials and for fuel, and quickly implement a reward and punishment system for the conservation of raw and processed materials and for fuel. Rewards and punishments should best be handed out monthly in order to stir the enthusiasm of the broad masses of staff members and workers, and to encourage units that promote new techniques for the conservation of raw and processed materials. Fourth is genuine attention to the replacement of old equipment. One of the main reasons for the large consumption of raw and processed materials in the province is old equipment and antiquated technology. All units should devise means for raising funds to replace old equipment and old technology. Units concerned should make it mandatory to replace within a limited period of time old equipment that consumes a particularly large amount of energy and materials.

These ideas from the provincial economic commission have been translated into actions in some units. Much has already been accomplished in lowering consumption in units such as the Yunnan Smelting Plant and the Kunming Cigarette Factory. It appears that if only attention is paid to the key point of conserving energy and lowering consumption, the "dual increase and dual conservation" campaign in the province will achieve greater economic benefits.

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## GREATER CONTROL EXERCISED OVER EXTRABUDGETARY FUNDS

Shijiazhuang HEBEI RIBAO in Chinese 10 May 87 p 1

[Article by Ren Sanming [0117 0005 2494], Hebei University trainee, and correspondents Jiao Guoxiang [3542 0948 4382] and Gao Xiaochen [7559 2556 7201]: "Manage Extrabudgetary Funds Well and Use Them Dynamically"]

[Text] By so-called extra-budgetary funds is meant funds of a public financial character that are not subject to national budget control, and that all jurisdictions, all departments and all units may themselves receive and disburse by national public funds and financial system regulations. Their scope is as follows: all supplemental income under control of local government financial units and all extra-budgetary funds subject to centralized control; funds that administrative institutions do not, by regulation, include in the budget, such as funds that they earn and disburse themselves, and the income of entrepreneurial units that practice businesslike management, as well as all fees collected that are of an administrative character; the after-tax profits of state-owned enterprises and the departments in charge of them, and various proprietary funds withheld in accordance with regulations, plus income derived from them; extra-budgetary income from enterprises subordinate to local departments in charge, and various proprietary funds.

With the deepening of economic system reform and the expansion of enterprise self-determination in recent years, the province's extra-budgetary funds have increased very rapidly, greatly exceeding the speed of growth of budgeted funds. Comparison of 1986 and 1981 shows a 1.4-fold increase in extra-budgetary funds above the county level. In 1986, extra-budgetary funds above the county level already amounted to 89.3 percent of budgeted funds for the same year.

However, for a long time people have not sufficiently understood the significance of managing extra-budgetary funds well and using them dynamically. In addition, there is neither a management organization nor a sound management system, with the result that these funds not only do not produce the benefits that they should, but also have become the main source of funds that violate financial and economic discipline. Some units concoct all sorts of pretexts for collecting fees arbitrarily, turning budgeted income into extra-budgetary income. Some even convert these funds into the unit's own "little treasure chest." Some jurisdictions, departments, and units use

extra-budgetary funds willy-nilly on unplanned projects in a heedless expansion of the size of investment in fixed assets. Some proprietary funds are not used for prescribed purposes. For example, funds for the development of production are diverted to the payment of bonuses, to the purchase of things and for welfare projects.

Poor control of extra-budgetary funds is a problem that exists in numerous jurisdictions, departments, and units, and it is particularly serious at the basic level in townships and towns. In quite a few townships and towns, money is controlled by several different units, and some township and town government organizations and industrial sideline occupations, agricultural, water conservancy, forestry, animal husbandry, broadcasting, planned parenthood, and people's armed police units all have income and all control money. In many cases there is no control. Frequently a list substitutes for an account, or there is only a day-to-day account. In some cases, there is not even a list, but only a "conscience account." How could there be no falling between the cracks? Therefore, it is not at all strange that in slightly more than 1 year one township accountant diverted more than 50,000 yuan of public funds to his private use in 18 transactions. Nor is it strange that in one county, 330,000 yuan was spent improperly in 1 year from fees collected for the birth of too many children.

Therefore, no matter whether considered in terms of development of the economy and the various provisions pertaining to it, or in terms of correcting party style and the social atmosphere, good management and good use of extra-budgetary funds has become an important matter in the economic work of the province.

In June 1986, the provincial government issued a notice in connection with the promulgation of "Specific Methods for Implementing Control Over Unbudgeted Funds in Hebei Province" on which all jurisdictions acted, but progress has not been even nor results the same. Hengshui Prefecture moved fairly rapidly and results were quite good. It instituted different management methods for two different categories of extra-budgetary funds as follows: For administrative institutions' extra-budgetary funds, it mandated centralized control by the prefecture's financial authorities. For extra-budgetary funds in enterprises, it instituted plan control. It also stipulated clearly no change in the ownership of funds for which control had been centrally mandated, that the character of the funds would not change, and that government financial units would not indiscriminately transfer them. As of the end of 1986, extra-budgetary funds mandated to the control of government financial authorities throughout the prefecture amounted to 20.07 million yuan. As a result of the mandating of control, all disbursements had to be examined and approved by government financial authorities. As a result, increases in the consumption fund and in investment in capital construction were brought under control. More important, benefits from the use of extra-budgetary funds were increased greatly. As a result of a forecasting and analysis done by the prefecture financial authorities on differences in times of receipt and disbursement of extra-budgetary funds by units for which it was exercising control, it became possible to withdraw some temporarily idle funds for investment in commodity production projects from which economic benefits had been found to be high and that were able to make repayment, while still

insuring that the unit for whom control was being exercised would be able to use the funds. In 1986, 6,355,000 yuan had been withdrawn throughout the prefecture for the support of 25 enterprises included in the budget, for 2 public utility units, and for 81 township enterprises, which produced 4.35 million yuan in new profits and taxes by year's end.

Right now there is a very great shortage of budgeted funds, and no matter how calculations are made, the same shortage remains. Why not transfer this shortage area to extra-budgetary funds, allowing extra-budgetary funds to play a greater role? Were every jurisdiction in the province to use several billion yuan of extra-budgetary funds well and dynamically, what a great role they would play in the development of production and in the opening of sources of funds! Besides, thanks to the strengthening of government financial supervision over extra-budgetary funds, there has been a decline in the number of cases involving violation of financial and economic discipline that will certainly bring about a further turn for the better in party style and the social atmosphere, thereby killing two birds with one stone. So why not go ahead with it?

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## NEED FOR SEPARATION OF STATE-OWNED PROFITS, TAXES

Shanghai SHIJIE JINGJI DAOBAO in Chinese 11 May 87 p 5

[Article by Zhang Shaojie [1728 1421 2638] and Zhao Yujiang [6392 2810 3068], Chinese Economic System Reform Institute: "Separation of Profits and Taxes--a Strategic Choice for Promotion of Economic Reform"; portions within slantlines in boldface]

[Text] I. /The focal point of current conflicts in the operation of the economy is the inability to make an equitable division of responsibility between enterprises and the state and between central authorities and local authorities for accumulations, functions, and investment risks. The nub of the problem remains distribution relationships between government and enterprises./

At the present time, the focus of many of the conflicts in the operation of the economy lies in the inability to make an equitable division of responsibility for the accumulations function and investment risks between enterprises and the state, and between central and local authorities. This is manifested in the following several basic ways:

--Enterprises lack sufficient force to maintain owners' rights. In policies regarding the distribution of earnings, there is too much giving in to staff member and worker income demands and welfare demands, which makes it difficult to assume responsibility for the required accumulations functions, and this leads to the danger of a loss of control over individual earnings.

--Since enterprises do not bear economic responsibility for the state assets they use, they look upward in making investment policy and their tendency to want more and to take over more remains extremely strong. As a result, the scale of investment is extremely apt to become inflated and results from investment are also less than ideal.

--Since accumulation and investment functions remain concentrated in governments, and since local governments use large amounts of public funds for nonproductive construction, the burden for productive investment actually falls on the shoulders of the central government and banks.

The aggregate result of tendencies in these several regards is to make both individual income and nonproductive investment "inflate once set in motion" making it difficult to continue to push ahead with reform. Following decentralization of the distribution of national income, accumulations and investment functions continued to be concentrated in the hands of the central government, and this also made for increasing difficulties for central government finances.

Sole current reliance on reform of the financial system is unable to correct errors in flow, and it is very difficult to avoid putting investment on a short-term basis. Consequently, the first way to resolve conflicts remains reform of the present public finance system.

II. /Since institution of reforms, we have adopted the change from payment of profits to payment of taxes and assignment of sole responsibility for profits as two ways in which to deal with distribution relationships between the state and enterprises. Each of these two methods has advantages and disadvantages; however, neither of them is able to solve the conflict between diversification and standardization./

The superiority of the method of assigning sole responsibility for profits lies in the rather explicit nature of the economic responsibilities of enterprises. At the same time, it helps different enterprises operating under different circumstances to settle on contracting methods and distribution percentages, thereby helping stir the enthusiasm of enterprises and enabling enterprises to look after their own long-term development. As a special policy to be adopted for use with regard to various key industries, this method is doubtlessly superior. However, as a system for general application, this method has obvious shortcomings.

--Enterprises' "responsibility for profits but no responsibility for losses" has obvious disadvantages for steady growth of public revenues.

--Contracts arrived at by one-on-one discussions between higher level units in charge and enterprises are very unlikely to have an equitable basis and methods for contracting, which makes it extremely difficult to overcome tendencies that damage the interests of the state, such as underestimating capabilities and withholding things for the enterprise's own use.

--From top to bottom, the methods of contracting work help neither formation of standardized management regulations nor destruction of compartmenting vertical and horizontal barriers; thus, it is very difficult to use to further advantage the regulatory role of the market mechanism.

The change from payment of profits to payment of taxes helps stabilize distribution relationships between the state and enterprises and helps in the formation of unified and standard distribution regulations. From a long-range standpoint, they help the regulatory role of the market mechanism. However, their shortcomings are as follows:

--Change from the payment of profits to payment of taxes only clarified the income distribution rate between the state and enterprises; it did not provide

enterprises with the force to increase earnings and accumulations, and thus it did not help bring into play the enthusiasm of enterprises.

--It cannot adapt to different circumstances in different enterprises, and it is unable to solve in a pertinent way problems that enterprises encounter in the process of developing production; thus, it is not well suited to the different requirements of different departments, different areas, and different kinds of enterprises in the development of production.

As a result of the limitations inherent in the method of changing from the payment of profits to the payment of taxes, the state had no choice in the process of actual implementation but to make numerous adjustments, such as increasing profits and allowing income tax reduction or exemption in regulating enterprises with fairly high tax rates, reducing or exempting from income taxes enterprises having minuscule profits, and allowing repayment of loans before taxes for enterprises investing loan funds, etc. In effect, this converted taxes back to profits to a certain extent. But such flexible measures hurt the solemnity and the standardized character of the national tax system inasmuch as they lacked clear sanction by the system, and they also make it less easy to fix economic responsibility in enterprises.

III. /The problem lies in earnings of two completely different kinds being included in the portion of income taken by the state from profits realized by enterprises, namely government earnings and owner's earnings./

In a socialist economy, the government frequently holds a dual status (Yugoslavia excepted). On the one hand, the government acts as a manager for society taking responsibility for a series of basic functions that governments take responsibility for in contemporary society. On the other hand, it acts as the owner of assets, bearing responsibility for investment, management of assets, distribution of income, accumulations, and such economic functions. Correspondingly, the government gets two completely different kinds of income from state-owned enterprises. One kind is income derived from government's role as manager of society. (This is a kind of income that nongovernment-owned enterprises must also pay.) The other kind is income derived from government's role as the owner of assets. (In effect, this is the special responsibility of state-owned enterprises.) At present, both forms of income are obtained through the collection of taxes. For the first kind of income, collection from enterprises in the form of taxes is doubtlessly necessary; however, use of tax levies to collect the second kind of income brings a series of problems in its wake.

1. In any country, whenever an enterprises faces risks in its operations, the owners inevitably have to bear the main responsibility. In market economy countries, this shows up in a reduction in dividends paid shareholders, in increases in new investment, and in a decline in assets, etc. However, this does not adversely affect the way in which the state collects taxes from enterprises. Thus, the method by which the state levies taxes on enterprises is consistent, and owners play a role in helping enterprises use profits from fat years to make up for lean years, and to even out and cushion. If uniform tax rates are applied to both these kinds of income, there is no problem for enterprises in good condition, but enterprises in temporary difficulties and

those that are trying to develop will have no way of helping themselves, and thus it will be also impossible to have a stable tax system.

2. No way to form a clear-cut assets responsibility system. The result of a single method of collection of the two kinds of income is a mixing together of enterprises' responsibilities to society and and their responsibilities to owners, which also makes it very difficult to separate the contribution made by various assets in an enterprise's production accomplishments as well as to what these earnings are attributable. This also results in local governments being able to get income from assets if they are able to help enterprises get investment from high authority. This makes local governments keen on helping enterprises get investment, on pushing projects, and being unwilling to dip into their own purses. In addition, since responsibility for income from state-owned assets is not clear-cut, when other organizations and individuals invest in an enterprises, they may run into a series of accounting problems. This makes it necessary for enterprises to consult with financial and tax authorities when repaying loans and when attracting direct investment. This makes it impossible to insure that an enterprise has self-determination in its operations, and it is also difficult to maintain the proper rights and interests of state-owned assets, or it may even result in some people, enterprises or local governments dividing up state-owned assets or getting hold of central government finances in the name of "reform."

3. This makes it very difficult to separate government management for society and management of state-owned assets; it becomes very difficult to separate government's administrative functions and economic functions. Therefore, in practice, government social management functions, such as price controls, plan controls, and tax collection management are jumbled together with government assets management functions, such as management of investment, handling of assets, securing of loans, distribution of income, and the appointment and dismissal of managers. Inasmuch as the latter functions are indispensable to an enterprise's conduct of normal operations, a separation of governmental and entrepreneurial functions becomes very difficult in practice.

4. Since there is no way to make a separate evaluation of state-owned assets, government's function in the management of state-owned assets is also shared by various different organizations. In addition to the responsibility of the Ministry of Finance for management of state-owned assets and income derived from it, planning departments are responsible for investment activities; assignment and dismissal of managers is decided by organizational departments; loans are under control of economic commissions and banks; and the hiring of workers is coordinated by labor departments, etc. Some of these departments are quite concerned about enterprises' earning profits and increasing the value of assets, while others are indifferent about these goals, or even though they may care, they are unable to assume clear-cut economic responsibility.

IV. /Solution to current conflicts and promoting the development of reform requires that a separation of profits and taxes serve as a vehicle for separating out income earned from state-owned assets, that standardized tax regulations be used to insure regular government receipts and disbursements, and that diverse methods of distributing earnings from state-owned assets be

used in accordance with the different circumstances in different enterprises./

At the moment, an important action for the enlivening of enterprises is various forms of operating contract responsibility systems. These forms will, without doubt, work to very good effect in promoting the more independent development of operations by enterprises. However, there should be no resultant damage to the uniformity and stability of the tax collection system. It is necessary to begin by helping solve various conflicts at the present time and by helping gradually straighten out relationships in various regards, at the same time ultimately establishing a planned commodity economic system. New methods of distributing income will have to be instituted for state-owned enterprises, and further impetus will have to be given reform and development through a separation of profits and taxes, with the payment of taxes and responsibility for profits.

Methods for the separation of profits and taxes include the following several basic points:

--After the government levies circulation taxes (product taxes, added-value taxes, and business taxes) on enterprises, it would levy an income tax at a fairly low rate on enterprises as juridical persons. (Such a tax might be divided into various fairly broad brackets and be uniformly collected from all kinds of enterprises throughout the country.)

--After payment of taxes, state-owned enterprises would pay a portion of profits to the state as a return on state-owned assets.

--Readjustment of distributions pertaining to assets and income derived from them including repayment of bank loans, payment of profits due other investors, and making good on enterprises' losses would all be done out of after-tax profits, and no arbitrary changes in the national tax system would be allowed.

This method should make it possible to insure steady increase in state financial income from rather low income taxes, and to use payments of profits from state-owned enterprises to coordinate the business operations of enterprises and to stir the enthusiasm of enterprises, thereby standardizing relations between governments and enterprises and the unity in diversity of relationships between owners and enterprises.

At the present stage, there are two methods that might be selected for splitting the individual percentages of profits and taxes in the income taxes now paid by enterprises. One is by referring to tax rates for joint-venture enterprises, setting income taxes generally at around 30 percent, the remaining portion serving as an extra dividend from state-owned assets. The second is to use expenditures for investment out of public funds (including the change from disbursements to loans of public funds and the annual before-tax obligated loan repayment portion), a corresponding portion being taken out of the current state-owned enterprise's income to serve as a dividend on state-owned assets, an income tax rate being inversely calculated from the

remaining portion that the enterprise pays, after which further readjustments are made.

V. /The significance of a separation of profits and taxes lies in being able to make an independent appraisal of state-owned assets for the gradual building of a responsibility management system for state-owned assets to form a state-owned assets rights and benefits system within a planned commodity economy./

Institution of the foregoing method at the present time may play a positive role in several regards as follows:

1. Help stir enthusiasm in large and medium-size enterprises and further clarify responsibilities between the government and enterprises.
2. Placing the various repayments and earnings related to assets, including repayment of loans, distribution of dividends, and earnings of joint investment after payment of taxes will help harden enterprises' budget restraints, will restrict their investment markets, and will clarify their positions as juridical persons.
3. Help the gradual formation within enterprises of a demand for increase in the value of assets that matches staff member and worker demands for earnings and welfare benefits, spurring the operators of enterprises to give fuller concurrent consideration to current benefits and long-term development, thereby helping to turn around gradually the tendency for individual income to become inflated.
4. The most fundamental significance of the separation of profits and taxes lies in this system's possibilities for bringing about a separate evaluation of state-owned assets, and bringing into being a state-owned assets manager in which authority is centralized and responsibilities are clear-cut to gradually establish a state-owned assets responsibility management system.  
When profits and taxes are separate, we can then carry out reform of both the state-owned assets management system and the financial system in the following ways:

--Simultaneous with institution of a government financial system in which taxes are separate and institution of a "separate collection system" for state-owned assets, there has to be a clear-cut institution of a "state-owned assets responsibility system" between the central government and local governments and among local governments in different places, a system of "investors have rights, earn profits, and take risks." Governments at the basic level may obtain income from assets and corresponding rights and benefits only through investment in assets.

--Gradual concentration in state-owned asset-control departments of control over government assets, these departments being centrally responsible for all work having to do with asset control, including raising capital, investment decisions, appointing and dismissing managers, distribution of earnings, and disposition of assets. In financial management, regular government receipts and disbursements should be kept separate from assets of a productive nature.

A combination of the aforementioned two reforms and the separation of profits from taxes so that government income at all levels and associated accumulations as well as earnings from investments are closely correlated and so that government at all levels will genuinely care about the profits and the development of enterprises under their jurisdiction. In addition, so long as the value of state-owned assets remains intact and increases, controllers of assets can transfer enterprises or some of the assets of enterprises to other investors, and apply earnings to new investments. As money markets come into being and develop, some of the present companies of an administrative character and other organizations can be converted to relatively independent business organizations having state-owned assets. They can contract with state-owned asset-control departments the task of increasing the value of assets, can engage in exchanges of, transfers of and investment in assets among enterprises, and they can act in response to and coordinate individual and organization stock share activities in the process of development.

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## EXPORTS, FOREIGN CAPITAL USE INCREASES IN JIANGSU

Beijing RENMIN RIBAO in Chinese 1 May 87 p 1

[Article by Yang Futian [2254 4395 3944] and Yin Xuecheng [3009 1331 2052]: "Jiangsu Accelerates Its Pace of Opening Up To the Outside World: Foreign Exchange Earnings on Exports Exceed Plans and We Are Having More Success Using Foreign Capital]

[Text] Nanjing, Apr 30, XINHUA SHE--In 1987 Jiangsu is striving to accelerate the pace at which it is opening up to the outside world. In the 1st quarter a new phenomenon has appeared: foreign exchange earnings on exports and the use of foreign capital are taking off side by side. According to statistics, foreign exchange earnings on exports have already completed one-third of the annual plan and are up more than 30 percent over the same period of 1986. The agreed-upon quantity of foreign capital to be used is up 200 percent over the same period of 1986.

At the beginning of this year Jiangsu adopted a series of measures to actively increase foreign exchange earnings on exports. The Jiangsu Foreign Trade Office granted certain foreign trade branch companies in Suzhou, Wuxi, Changzhou, Nantong, and Lianyun Gang the right to engage in direct exporting and actively expand export avenues. At the Jiangsu's Second Foreign Trade Fair in February, these branch companies independently formed a trading block to conclude bargains directly with foreign commercial interests, with good results.

The implementation of preferential policies for foreign commercial investment and the reform of the overall investment climate has made foreign commercial interests more and more interested in investing in Jiangsu, and there are increasingly more investment projects and negotiations with travelling traders. In the 1st quarter, Jiangsu has examined and approved the use of foreign capital in 39 projects and agreed to utilize \$33,180,000 in foreign capital and \$38,850,000 in actual foreign exchange. These figures represent an increase of 34.5 percent, 200 percent, and 92 percent, respectively, over the same period of 1986.

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## NEW MEANS OF ABSORBING FOREIGN CAPITAL IN SHANGHAI

Shanghai WEN HUI BAO in Chinese 4 Apr 87 p 1

[Article by Zhang Debao [1728 1779 1405]: "The Shanghai International Leasing Company Initiates an Innovative Means of Using Subleasing to Attract and Use Foreign Capital--This Has Supplied the Pacific Ceramics Corporation With Guaranteed Funds To Import Equipment"]

[Text] By using export credit and leasing combined, the Shanghai International Leasing Company imported \$12 million worth of equipment for the Pacific Ceramics Corporation and held a ceremony in Shanghai on 3 April to sign the guarantee. This is an innovative means of attracting and utilizing foreign capital in Shanghai.

The Pacific Ceramics Corporation was formed through Chinese and foreign joint capital. On the Chinese side, the East China Ceramics Plant, the Shanghai Investment Trust Company, and the Jin Jiang Allied Management Company put up 65 percent of the total investment. On the foreign side, the British Teken [3676 5146] Company and Mr. Yan Hongtai [0917 3163 3141], of Hongkong, put up 35 percent of the total investment. After this joint venture enterprise is completed it will produce 350,000 luxury and comfort pieces and 150,000 economy pieces of ceramic washbowls per year. The general headquarters will be set up in the Minhang Economic and Technological Development Zone, and 60 percent of the products will be exported abroad. The debt will be paid off 7 years after the plant goes into operation.

Because funds were limited, the Pacific Ceramics Corporation had problems importing equipment. Consequently, through the Shanghai International Leasing Company, it adopted leasing to raise funds. Based on the Pacific Ceramic Corporation's needs, this company turned to the Higher Profit Corporation, a member of the British Exchange Banking Group, for bailment. Later, the Higher Profit Corporation became the lessor and applied to the British government for export credit. This kind of credit carries an interest rate of only 7.4 percent, or 4.6 percent lower than the market interest rate. This portion of the expense was subsidized by the British government. The Higher Profit Corporation became bailor to supply currency for the British Teken Company, this was then leased to the Shanghai International Leasing Company, and finally subleased to the Pacific Ceramics Corporation.

To achieve this leasing and subleasing, the Hongkong Dingxie [7844 0588] Leasing Corporation International organized six internationally influential banks--the Mitsui Bank of Japan, the Rotterdam Bank of the Netherlands, the Business Construction Bank of France, the Jiahuobin [0163 3172 6333] Bank, the Hongkong Branch of the Bank of China, and China's East Asian Bank to act as guarantors. General Manager Li Wuliang [2621 7713 5328] of the Shanghai International Leasing Company told reporters that the attempt to use subleasing methods to import and use foreign capital was successful. Applying to foreign banks for export credit and receiving guarantees from foreign banks is a good multi-channel, multi-form method of bringing in foreign capital. It also shows that foreign commerce is comfortable about investing and putting foreign capital into circulation in Shanghai.

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## BRIEFS

LIAONING ABSORBS FOREIGN CAPITAL--Shenyang (CEI)--Liaoning Province, China's major industrial base, is planning to take in two billion U.S. dollars in foreign capital during the Seventh Five-Year Plan Period (1986-90). In order to speed up transformation and development of the old industrial bases, China has listed its northeast province of Liaoning as a key area for technical transformation and capital construction during the 1986-90 period. According to an official of the provincial development office, the province will cooperate with foreign countries in importing up-to-date equipment, technology and management expertise. In technical transformation, priority will be given to such sectors as machinery, electronics, metallurgy, chemicals, medicine, building materials, light industry, textiles, foodstuffs and agriculture. [Text] [Beijing XINHUA in English 0620 GMT 20 July 87 OW] /12624

RECORD EXPORT VOLUME SHIPPED--Beijing, 16 July (XINHUA)--Statistics from China's customs showed that the export volume in the first six months of this year hit 16.63 billion U.S. dollars, a record figure, according to today's "international business". This represents a 24.2 percent increase in export volume over the same period of last year, the paper said. China's import volume in the period reached 18.64 billion U.S. dollars, showing a 6.2 percent decrease compared with last year's figure, according to the report. The trade deficit of 2.01 billion U.S. dollars amounted to one-third of the deficit in the same period of last year. Among the exported products, the exports of textiles and garments increased by 25.5 percent, aquatic products exports, by 85 percent, and machinery and electronic products, by 60 percent. Meanwhile, imports of 17 electrical products, including electronic calculators, electronic computers, radios, tape recorders, washing machines and refrigerators, decreased by 41.6 percent, compared with last year, the paper said. [Text] [Beijing XINHUA in English 1459 GMT 16 Jul 87 OW] /12624

300 ENTERPRISES SET UP ABROAD--Changchun, 16 July (XINHUA)--China has set up 300 enterprises in 50 countries and regions since the open policy became official in 1979. According to a national conference ending here Tuesday, these enterprises, either Sino-foreign joint ventures or with sole Chinese investment, mostly engage in processing, mineral development, forestry, fishing, transport and construction. There are also hotels, restaurants serving Chinese food and technical service agents, according to proceedings

of the meeting reaching XINHUA today. China now has 21 joint ventures of marine transport and ship repairs in Belgium, Federal Germany, the Netherlands and the United States. It also has 15 joint engineering contract companies in Cameroon, Nigeria and the Yemen Arabic Republic. Since 1985, 32 fishing vessels from seven fishing companies affiliated with the China Joint Aquatic Products Corporation have been operating with fishing firms in Iran, Gabon, Guinea, Buinea-Bissau, Mauritius, Senegal, Sierra Leone and the United States in the sea waters of these countries. [Text] [Beijing XINHUA in English 0936 GMT 16 Jul 87 OW] /12624

SHANGHAI ANNOUNCES RISE IN EXPORTS--Shanghai, 5 July (XINHUA)--Shanghai, China's leading foreign trade port, scored a 18.5 percent rise in exports in the first half of this year, the municipal foreign trade bureau announced here today. The city exported two billion U.S. dollars worth of goods during that period, meeting 60 percent its annual export quota. A bureau official attributed Shanghai's increased exports to the operation of new machines, cooperation with other parts of China and technology exports. Since the beginning of this year, the city's foreign trade companies have raised 10 million yuan (about 2.7 million U.S. dollars) to factories to import key equipment and materials that were in short supply in China. Meanwhile, the official said, these companies have built joint export-oriented factories with 20 province-level areas and purchased 1.57 billion yuan worth of goods from elsewhere. For the first time Shanghai has exported 300 items of technology in such areas as electronics, chemicals, machine-building, building materials, textiles and foodstuffs. Foreign trade companies have also sent sales people to Africa. [Text] [Beijing XINHUA in English 0944 GMT 5 Jul 87 OW] /12624

FOREIGN-INVESTED ENTERPRISES PROMOTE ECONOMY--Fuzhou, 22 Jun (XINHUA)--Foreign-invested enterprises in Fujian Province contributed one-third of the province's added industrial output value last May, a provincial official said today. Chen Weide, deputy director of the Provincial Planning Committee, said that so far, 450 joint ventures, cooperative enterprises with foreign investment and solely foreign-funded enterprises have opened in the coastal province. They have produced a total industrial output value of 3.6 billion yuan, a combined profit of 90 million yuan, and paid 100 million yuan in taxes, Chen said. "This has shown that the province has achieved success in attracting and using foreign investment," Chen said. In 1986, 89 percent of such enterprises were manufacturers and the number is expected to grow. More and more investment has come from Europe and the United States, while investment came mainly from Hong Kong and Macao two years ago, Chen said. In the province's Xiamen Special Economic Zone there are 156 foreign-invested enterprises, which produce 17.7 percent of the zone's total industrial output value, according to Chen. In the open coastal city of Fuzhou, 110 foreign-invested enterprises have become operational, Chen added. [Text] [Beijing XINHUA in English 1217 GMT 22 Jun 87 OW] /12624

ANHUI FOREIGN TRADE SOARS--Since the policy of opening up to the outside world, Anhui has made great strides in its foreign trade. The average annual volume of export trade has increased progressively 55.7 percent. Anhui has

imported 655 pieces of advanced technical equipment from abroad, approved 47 foreign funded enterprises, and established direct economic and trade relationships with over 100 countries, all of which has had a strong impact on the development of Anhui's economy. [Text] [Beijing GUOJI SHANGBAO in Chinese 2 Jul 87 p 1]

HEILONGJIANG'S EXPORTS EXPAND--As of 10 June, Heilongjiang had exported \$426 million worth of goods which represents 70.9 percent of its annual plan and a 64.2 percent increase over the same period last year. This rapid increase is chiefly the result of the following two factors: First, the production of a large number of basic commodities has been good. The production of 16 commodities such as soybeans, cotton yarn, lumber, honey, mink pelts, flax, and linen has already fulfilled more than 85 percent of the annual plan and it is estimated that the annual quota for soybean production will be fulfilled by the end of June. Second, a new breakthrough in the export of industrial products. The export of major industrial products increased 118 percent over the same period last year and the province's three industrial product import/export corporations--light industrial products, textiles, and machinery equipment--have already achieved over 75 percent of their annual targets. This has rarely occurred in the past. Despite Heilongjiang's favorable export situation, problems still exist. First, foreign trade's convertible funds are scarce and purchases are mainly made with loans and second, the short supply of goods does not meet market demands. [Excerpts] [Beijing GUOJI SHANGBAO in Chinese 2 Jul 87 p 2]

GUANGDONG TEA EXPORTS RISE--The Guangdong Tea Import/Export Corporation has seen a marked improvement in its profits by upgrading the quality of its tea exports. From January to May this year, the total volume of exports showed a 44 percent increase over the same period last year. [Beijing GUOJI SHANGBAO in Chinese 7 Jul 87 p 1]

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## SHANGHAI OFFICIALS URGE MORE PREFERENTIAL MEASURES

Shanghai WEN HUI BAO in Chinese 3 Apr 87 p 1

[Article: "On an Inspection Tour of Minhang Development Zone, Rui Xingwen Stresses that We Should Adopt Preferential Measures To Guarantee that Foreign Commerce Will Profit From Investments"]

[Excerpt] Shanghai Municipal Party Committee Secretary Rui Xingwen [5360 2622 2429], Vice Mayor Li Zhaoji [2621 5128 1015], and Foreign Economic and Trade Commission Chairman Shen Beizhang [3088 5926 4545] went to investigate and study Shanghai's Minhang Economic and Technological Development Zone on the afternoon of 2 April.

At about 9 AM on 2 April Rui Xingwen, Li Zhaoji, and others went to the Minhang United Development Company, Limited, to hear a report from the company's general manager, Lu Youming [7627 0642 7686]. As of the end of March 1987, 15 enterprises had started up in the Minhang Economic and Technological Development Zone. This represents a total investment of 360 million yuan renminbi, including \$28,270,000 in foreign capital. After comrade Rui Xingwen heard the report of progress in Minhang, he happily said that success here will open a window through which Shanghai can open up to the outside world. It will attract more foreign commerce and capital into Shanghai. We should also adopt preferential policy measures to guarantee that foreign commerce will profit from investment in Shanghai.

Afterward, Rui Xingwen, Li Zhaoji, and their party went into the district to visit the Jialian Sino-foreign Joint Venture Knitting Mill; the Shanghai Huagao Sino-foreign Joint Venture Knitting Company, Limited; the Shanghai Sihualu Cosmetics Company, Limited (a Sino-Japanese joint venture); and the Shanghai Huanqiu Toy Company, Limited (a Shanghai-Hongkong joint venture). After they listened to reports, Comrade Rui Xingwen said that the Minhang Economic and Technological Development Zone is located in Shanghai's heavy machinery and high technology industrial zone, and it will not be long before Shanghai Jiaotong University establishes a campus there. Moreover, municipal public facilities are fully equipped, and external and internal conditions alike are advantageous for attracting foreign commercial investment to establish factories. There are bright prospects for the Minhang Economic and Technological Development Zone.

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## PROGRESS REPORTED IN SHANGHAI ECONOMIC ZONE

Shanghai WENHUI BAO in Chinese 8 Apr 87 p 1

[Article by Li Anding [2621 1344 1353] and Chen Ming [7115 6900]: "Developing Lateral Coordination and Organizing Significant Economic Activity, the Shanghai Economic Zone Has Achieved Substantial Progress: It Has Raised Funds to Handle Coal and Electricity, Formed the Eastern Textile United Development Corporation and Two Bicycle Groups, Expedited Funding and Finance, and Convened Trade Fairs To Clear the Way for Industrial Products To Enter the Countryside"]

[Text] Beijing, Apr 4, XINHUA--Last year the Shanghai Economic Zone, located in China's "gold coast" district, has achieved substantial progress in formulating programs, promoting cooperation, and organizing significant economic activity. A few days ago, Wang Daohan [3076 6670 3211], NPC deputy and chairman of the State Council's Shanghai Economic Zone Planning Office, revealed this information to reporters at the 5th session of the 6th National People's Congress.

The Shanghai Economic Zone includes Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, and Fujian. This region holds a decisive position nationally in terms of agricultural and industrial production, financial revenues turned over to the state, commodity supplies, and foreign exchange created through exports.

Wang Daohan said that the State Council is conducting a regional economic experiment in this area on the use of economic means to coordinate management. Since 1986 the Shanghai Economic Zone has displayed vigor and vitality in developing lateral coordination:

--It has raised funds to handle the coal problem. Shanghai Municipality raised 360 million yuan and signed an agreement with the coal sector stipulating that it will supply 1.8 million tons of coal per year for the next 30 years.

--It has cooperated with the hydroelectric sector to raise funds to handle the electricity problem. Jiangsu, Zhejiang, Anhui, and Shanghai have raised a total of 726 million yuan to increase electrical generating capacity by 720,000 kw.

--It has cooperated with the textile sector and formed the Eastern Textile United Development Corporation, raising 14 million yuan to build 8 new-product production bases and establish branch offices in Xiamen to increase exports.

--It has facilitated formation of a "Phoenix" Bicycle Group by 27 enterprises and an "Everlasting" Bicycle Group by 14 enterprises.

--It has facilitated financing and commodity circulation. Managers of the 50 provincial-level branches of the People's Bank of China and various specialized banks in the Shanghai Economic Zone and in Shandong agreed that, beginning with bill discounting and intra-city settlements, they would transfer some commercial credit to financial credit and shorten the time period required for fund transit. In 1986 they made 6 billion yuan worth of financing available and forestalled a shortage of funds.

--It has opened up a number of trade fairs and promoted direct contact and mutual information transfer between production and marketing, thus clearing the way for industrial goods to enter the countryside.

Wang Daohan said that the economic zone has also actively launched efforts to aid Jinggang Shan, Dabie Shan, and other old revolutionary base areas, having implemented 132 projects in which coastal provinces and cities provide suitable aid for old revolutionary base areas. In addition, we have drawn up and completed a development strategy for the Shanghai Economic Zone, a program to harness Tai Hu and the Huangpu Jiang, and intermediate and long-term plans to develop electronics, textiles, energy, light industry, and postal and telecommunications services.

12510  
CSO: 4006/625

## XIAMEN SEZ BEGINS TO EXPERIENCE RICH 'HARVEST'

HK220553 Hong Kong SOUTH CHINA MORNING POST in English 22 Jun 87 p 16

[By Stanley Leung, recently in Xiamen]

[Text] The Xiamen Special Economic Zone [SEZ] has started to experience the "harvest" following a six-year "sowing" period involving billions of renminbi to build up the region.

In the last few months, the SEZ has recorded significant improvements in foreign investments and tourism, which are the backbone of its economy.

In an interview with Hong Kong reporters, its Deputy Mayor, Mr Jiang Ping, described the past few months and perhaps the next few years as a turning point for the region's development.

Since the establishment of the Xiamen SEZ in 1981, about 261 Sino-foreign joint ventures and cooperative enterprises involving foreign capital of over HK\$4 billion have been approved, he said.

About 57 percent of this sum was invested in industry and the remainder in property, tourism, commerce and transportation.

Mr Jiang said 70 percent of the foreign investments came from Hong Kong and Macao, with the rest from countries including Europe, the United States, Japan and Southeast Asia.

A comparison of figures for the first five months of this year and last year show the tremendous progress that has been made.

The number of joint venture contracts signed in the first five months of this year increased by 27 percent over the last year, with the value of industrial output doubled. The export value of these joint ventures also increased by three times. On the tourism front, a 33 percent increase in tourists was recorded.

Mr Jiang attributed the significant achievements to the improvements, both in production and sales, made by the enterprises following a period of hard work.

For instance, The China Ceramics Co, a Sino-America joint venture, is expected to recover its total investment of over \$200 million in five years.

With advanced technology and computerization, the 40 percent foreign-owned enterprise is the largest joint venture in Xiamen.

The plant, with an annual output value of \$200 million, might become a profit-making toll for the Interklin Corporation of America and the two mainland partners in the 1990s.

Of the four SEZs in China, Xiamen is the only one outside Guangdong. It is an old city with established industrial foundations.

"Industry will still be our main development theme, to be supplemented by re-export trade, tourism and real estate," Mr Jiang said.

The Sizmen authorites are trying to meet their goal of quadrupling the value of industrial and agricultural products over a nine-year period between 1980 and 1989.

To do so, the region would have to persist with reform and open-door policies. By 1990, the value of industrial output produced by foreign-financed enterprises should account for 40 percent of the total.

During the six-year period ending last year, the region invested about \$5 billion in infrastructure. This sum was 3.4 times the total investments in the previous 31 years.

Major projects completed included the Juli industrial region, Dongdu deep water pier, Xiamen international airport as well as improvements to telecommunications and electricity supplies.

The current airport, opened in 1983, is already failing to meet growing air traffic demands. According to the original forecast, about 300,000 passengers should go through the airport yearly by 1990.

The saturation in capacity came much earlier than expected. The volume of passengers already exceeded 300,000 last year and is estimated to be 450,000-500,000 this year.

To meet the growing demand, the government is spending several tens of millions of renminbi to expand the airport so that it can accommodate larger planes such as 747s.

At present, there are over 50 flights weekly to destinations including Beijing, Shanghai, Nanjing, Hong Kong, Singapore and Manila.

The Dongdu Wharf is also being expanded at an estimated cost of \$400 million. When the five new berths are completed, its cargo-handling capacity will be increased by four million tons a year.

In the monetary sector, seven more bank branches and two bank representative offices have been set up in the SEZ.

Mr Jiang said they would consider setting up a stock market in the future if conditions prevailed.

The Deputy Mayor said they hoped to expand Sino-Taiwanese trade which is conducted currently through Hong Kong and by sea.

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CSO: 4020/247

ECONOMIC ZONES

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### ZHANJIANG CITY ESTABLISHES DEVELOPMENT ZONES

OW121610 Beijing XINHUA in English 1400 GMT 12 Jul 87

[Text] Guangzhou, 12 July (XINHUA)--Economic and technological development zones have sprung up in Zhanjiang City, Guangdong Province, over the past two years.

So far, 17 projects have gone into operation, whose industrial output value hit 26.39 million yuan in 1986 and the volume of exports came to 3.68 million U.S. dollars.

It is estimated that their industrial output value will reach 100 million yuan while the volume of exports will exceed 10 million U.S. dollars, a local official said.

Focusing on revitalizing the local economy, Zhanjiang's economic and technological development zones try to attract foreign funds to promote the technology to process aquatic and fruit products, and cash crops, and to develop technology in the foodstuffs, biological products and bioengineering industries.

The Dongfang sisal hemp plant has introduced equipment from Britain and Federal Germany, helping to produce sisal hemp carpets for the international market, as a result, the output value has increased four times.

The city's development zones turn out 32 varieties of products, so far, of them, 28 are exported.

Meanwhile, a group of construction projects with foreign funds are under way, the official said, adding that past two years have seen more than 3,000 business people from ten countries and regions, including the United States, Japan, France, Federal Germany and Hong Kong and Macao, visiting the city to discuss investment.

To date, the development zones have signed 68 agreements involving a total investment of 270 million yuan.

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CSO: 4020/247

ECONOMIC ZONES

ECONOMIC

BRIEFS

FOREIGN-INVESTED ENTERPRISES SHENZHEN--SHENZHEN, 21 July (XINHUA)--Another 34 foreign-invested industrial enterprises have been set up in the Shenzhen Special Economic Zone (SEZ) in the first half of this year, with the total now numbering 322. These enterprises produce over 60 percent of the output value of the SEZ, established 7 years ago, and increased their exports by 93 percent in the first half of the year, compared with the same 1986 period. The foreign funds in Shenzhen's industry grew from 8.05 percent in 1983 to 76.8 percent of the total amount of foreign investment in the area last year. The rising foreign investment in industry has caused a shortage in available factory buildings. Special treatment is available and formalities have been simplified for foreign businessmen. Besides, a power plant has been put into operation, to ease the power shortage problem in the area.  
[Text] [Beijing XINHUA in English 0554 GMT 21 Jul 87 OW] /12624

CSO: 4020/247

## LEGAL QUESTIONS REGARDING LABOR CONTRACTS

Beijing GONGREN RIBAO in Chinese 4 Apr 87 p 3

[Article by Shen Zhikun [3088 1807 0981] and Sang Hongh a [2718 4767 5478]: "Legal Questions Regarding Labor Contracts"]

[Text] The labor contract, simply put, is a signed agreement between the worker and the unit exploiting the work, which covers labor rights and responsibilities.

Both principals in a labor contract must have given rights and capacity for action, and are granted legal status. At the same time, both parties to the contract have equal legal standing, enjoy equal rights, and assume responsibility on an equal footing. Neither party should under any circumstances only assume the rights without assuming the responsibilities.

When a labor contract is signed, the wishes of the enterprise must be respected and appropriate workers recruited based on production circumstances, and the wishes of the worker must be respected, so he will be free to choose satisfactory work.

The labor contract may be modified and terminated. When the labor contract is modified, it is done under the premise that the established labor contract will continue in force, and a part of the contract is revised or supplemented. When the labor contract is terminated, it is no longer in force, and the provisions of the contract are dissolved.

Common situations which lead to modifying a labor contract include an enterprise changing output or readjusting its production mission with the approval of responsible higher authorities, or, because of changed circumstances, there is a need to alter the labor contract. The principal situations which lead to termination of a labor contract include: 1) the natural termination of the contract, which is when the term of the contract expires, or when the predetermined purpose of the contract is fulfilled; 2) when one party to the contract rescinds it; 3) for reasons outside the will of the parties to the contract, such as when the enterprise goes bankrupt, or the worker is disabled other than in the line of duty.

For modifications to labor contracts, both principals must equally agree on any changes and be unanimous in their views, whereas termination of labor contracts does not ordinarily require any identity of views.

Modifying a labor contract changes to varying degrees the rights and responsibilities of the two principals, but because of the unanimous approval of both parties, the contract necessarily continues in force. On the other hand, termination of a labor contract fundamentally changes the rights and responsibilities of the two principals, and the labor legalities consequent to the contract are abolished as well. What needs to be pointed out is that modification or termination of a labor contract must be carried out strictly in accordance with the law; otherwise, someone must assume appropriate economic, administrative, or legal responsibility.

While the labor contract is in force, if the two parties experience a labor dispute and negotiations are ineffective, the labor dispute arbitration committee may be called upon to make a ruling, or civil proceedings could be initiated through the People's Court, and the court would resolve the dispute in accordance with the law. Arbitration is an administrative action; the ruling does not have the force of law. On the other hand, a lawsuit is an action with participation by the court, and court decisions and rulings are enforceable.

Arbitration of labor contracts must be voluntary, lawful, and based on facts, and should emphasize mediation, the equal rights of the principals, and so forth. If one party to the labor contract demands arbitration, it must submit an appeal in writing to the labor dispute arbitration committee, and the committee will decide, in accordance with the law, whether or not to entertain the appeal. For all cases which are accepted, the arbitration committee, with adequate preparation, must call the two parties to the dispute together and coordinate a settlement. If the mediation attempt is unsuccessful, the committee, through collective discussion, will make an arbitration ruling.

In a case where there is a refusal to comply with the arbitration ruling, an action may be brought before the local court before a specified deadline, but in the interim before the court renders a decision, both parties should act in accordance with the arbitration decision. The court mediates while ascertaining the facts. When mediation fails, it can issue a judgment or ruling in accordance with the law. If a party remains unconvinced by a court decision or ruling, it can appeal.

Arbitration and lawsuits regarding labor contracts utilize legal methods to resolve labor disputes, are effective measures for guaranteeing the legitimate rights and interests of the principals, and are important means of legalizing the labor system. Consequently, we should enhance our efforts in this area, and use the law to ensure the labor contract system is sound and perfected.

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CSO: 4006/632

## 'DISTRIBUTION ACCORDING TO WORK,' CONSIDERATION OF VALUE

Beijing JINGJIXUE ZHOUBAO in Chinese 12 Apr 87 p 8

[Article by Yang Liming [2799 7812 2429]: "Present Stage of Distribution According to Work Requires the Intervening Hand of Value"]

[Text] There is a great discrepancy between the present stage of distribution according to work and that envisioned by the classical writers. In the socialist society envisioned by the classical writers, production was highly socialized, all means of production were publicly owned by society, and commodity production and commodity exchange did not exist. "There is nothing circuitous about individual labor; it exists as a direct constituent of labor in the aggregate." (Footnote 1) "Critique of the Gotha Programmen; "The Selected Works of Marx and Engels," Vol 3, Renmin Chubanshe, 1972, p 10) Distribution according to work in that period meant that equivalent work earned equivalent pay for the society as a whole; the pay the workers received corresponded to the amount of work they performed. Society measured the amount of work supplied by the workers in terms of labor time, and did not need to consider "the intervening hand of value." (Footnote 2) (Marx: "On Countering During;" "Selected Works of Marx and Engels," Vol 3, p 348) Because at that time individual labor immediately became social labor, there was a high degree of socialization of production, and "ordinary experience directly revealed that such-and-such commodity on the average required such-and-such amount of social labor." (Footnote 3) (ibid., p 348) Consequently, society could directly effect distribution to a worker based on the amount of individual labor that worker provided.

There is a wide discrepancy between the economic conditions in China at the present stage, and those originally envisioned by the classical writers. We still cannot effect distribution according to work which does not require "the intervening hand of value" as anticipated by the classical writers. Just the opposite, distribution according to work in the present stage requires us to resort to the action of the law of value; it is necessary to consider value."

Production development is uneven in China at the present stage, and it is not yet highly socialized. Diverse forms of ownership still exist, with the system of public ownership being dominant. It is not possible for

individual labor directly to be a part of general social labor as soon as it is performed; rather, it is only through the action of the market and the law of value that it is converted to social labor. Consequently, only when individual labor is converted to social labor and becomes useful labor does a person receive the corresponding remuneration. Labor without effect cannot serve as the basis for distribution according to work. The law of value here supersedes "ordinary experience." We must "collate" and "filter" the "work" in distribution according to work, and reduce the individual labor of each worker to uniform social labor, which thereby serves as the basis for distribution according to work. In this sense, only through the action of the law of value can distribution according to work be realized at the present stage.

What we currently have effectuated is a planned commodity economy. If we devote major efforts to developing commercial production and commodity exchange, and give full play to the law of value and the market mechanism to regulate production, the law of value cannot help but assume a regulatory function in distribution linked to production. This determines the inevitable role of the law of value in distribution according to work.

Because the inevitable regulatory role of the law of value in distribution according to work is determined objectively, the substance and form of such distribution differs greatly from that envisioned by Marx and Engels.

First, the work which serves as the measure for distribution is no longer the worker's individual labor. On the contrary, it is the socially essential labor undertaken for the sake of society, and which has been "filtered" through the law of value. Enterprise workers cannot supply actual social labor directly to society; individual labor can be changed to social labor only through the collective work of the enterprise. Consequently, society cannot directly effect distribution according to work with respect to the individual. Rather, the collective work of the enterprise must function as the entity for distribution according to work, and through this entity in turn is distribution according to work applied to the individual. This approach not only links the distribution of wages to the labor contribution of the worker himself, more important, it necessarily links the wages to the economic results of the enterprise.

Second, individual labor must be converted to social labor, and for the enterprise to achieve economic results, it must rely on its own operations and exchange, so it is only natural the enterprise would be able to use some individual consumer goods within its own operations and exchange processes for distribution according to work. Thus the realization of distribution according to work to a large degree is determined by the enterprise itself, and the role of society is no longer so directly involved in its turn, nor is it all-encompassing. This established the objective autonomy of enterprises for distribution according to work.

Third, because of differences in how well enterprises are managed, and due to the role of value and the market mechanism, three situations may

arise when an enterprise's individual labor is converted to social labor: first, the individual labor is precisely equivalent to the social labor; second, the social labor realized is less than the individual labor provided by the worker, in which case some labor becomes ineffective labor and cannot earn commensurate remuneration; third, the social labor realized is greater than the individual labor expended by the worker, in which case not only does the worker receive remuneration commensurate with the labor he expended, but receives extra remuneration as well. In the latter two of these three situations, equivalent work does not earn equivalent pay. On these occasions, the principle of equivalent pay for equivalent work does not apply in every case; it can only be realized by various round-about means. The principle of equivalent pay for equivalent work is embodied only in the average of the countless individual instances; it does not exist in each specific instance. Some people feel that the differences in labor remuneration brought about by differences in operations make it impossible for equivalent labor to result in equivalent products within the scope of society as a whole, or within an ownership system. I do not think it should be viewed in this manner because what functions as law or principle simply reflects objective imperatives and inevitable trends. Although equivalent pay for equivalent work does not apply in each instance, it always functions as an objective imperative with respect to restructuring and regulating distribution. This effect of "equivalency" is brought about through many "nonequivalencies."

The role of the law of value in distribution according to work, then is an obvious one. The effect of the law of value is found in every realm of distribution according to work, and brings significant change to both the form and substance of such distribution. Clearly the principle of distribution according to work plays a role in distribution of individual consumer goods, as does the law of value. Not only must we adhere to the principle of distribution according to work in distributing wages, we also must adhere to the law of value. If wage reform does not consciously conform to the law of value, or if it does not organically link distribution according to work with the law of value, then wage reform cannot succeed, and it will be difficult to meet the requirements of restructuring the whole economic system. In the past we generally regarded the law of value as diametrically opposed to distribution according to work. Now it is clear that the two are inextricably linked.

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## RURAL INDUSTRY ADJUSTMENT TIED TO URBAN ECONOMIC GROWTH

Beijing JINGJIXUE ZHOUBAO in Chinese 5 Apr 87 p 3

[Article by Geng Dechang [1649 1795 2490]: "Readjusting the Rural Industrial Structure Depends on Developing the Urban Economy"]

[Text] One widespread phenomenon in revamping the industrial structure is the pace is faster in economically developed areas and slower in backward areas. Many reasons are behind this, but I think the major one is related to urban economic growth.

Urban and rural areas are one, inseparable organic whole in the national economy. Economic links between the two become closer as the commodity economy expands. Viewed historically, cities came into existence as collection and distribution points for agricultural products, the result of a rural commodity economy reaching a certain stage of growth. At the time, urban expansion depended upon the extent of rural development. This is how it was in the Middle Ages. Urban industry then expanded rapidly, and cities began supplying advanced means of production and a place to sell agricultural products, becoming important centers for absorbing surplus rural labor, and "centers of economic, political, and cultural activity, the driving force behind progress." (Complete Works of Lenin, Vol 19, p 26) Rural areas are now beginning to develop industry, and economic links between urban and rural areas have entered a new phase, with the role of urban areas becoming more pronounced. Within certain limits, then, rural economic growth hinges on urban economic growth.

1. Rural economic growth depends upon urban technical equipment. Such equipment is the material foundation of economic expansion, crucial to the enhancement of labor productivity. Agricultural machinery--tractors, combine harvesters, irrigation equipment, plant protection equipment, etc., are tools produced in urban areas. Urban areas also provide useful equipment for rural industrialization, such as instruments, meters, and machinery for processing, power generating, and shipping and transport. Economically developed urban areas with a solid industrial foundation can provide rural areas with advanced equipment; their surrounding rural areas enjoy greater productivity and accelerated industrialization.

2. Rural commodity economy growth is contingent upon the availability of urban markets. This was important as rural areas moved from self-sufficiency toward a commodity economy. A developed urban economy with substantial demand for agricultural products will undoubtedly stimulate rapid growth of the rural commodity economy; otherwise, growth will be slower.

3. Rural development is determined by the supply of urban talent. Changes in the industrial structure create demands for an array of technical and managerial talent in agriculture as well as in industry, construction, communication and transportation, commerce, food and beverage services, culture, education, and health sectors. Without such talent, readjustment of the rural industrial structure would be impossible. This talent is cultivated right in the countryside, but mostly trained in urban areas where they receive education and are dispatched back to the countryside. And part of the existing urban talent, including retired technicians, S&T cadre and management cadre can be shifted to rural areas as well. The main reason Jiangsu, Zhejiang, and other economically developed areas have more technical talent than interior areas is because of the assistance provided rural technicians by economically developed cities, such as Shanghai, Nanjing, Hangzhou, Suzhou and Wuxi. Without such support, changes in the industrial structure in rural areas along the Zhejiang belt would never have been so fast.

4. Urban areas are centers for absorbing surplus agricultural labor. Because of long-term misjudgments in China's population policies, the labor force required in large and medium-sized urban areas could generally be met by their own incremental population growth, but small urban areas (cities and towns) also have a large potential for accommodating a labor force. China has more than 2,660 cities and towns, each with an average population of only 20,000 or so. Doubling the scale of populations in these areas would result in the absorption of a surplus agricultural labor force in excess of 50 million. Based on the current surplus labor force of 100 million, an estimated one-half can be moved into cities and towns. And based on a labor force of 200 million needed this century, one-quarter could be moved in. The key to drawing surplus labor into cities and towns is the expansion of their economies. It is obvious then that economically developed cities and towns are centers for absorbing surplus agricultural labor.

5. Rural areas rely on urban areas for information, and urban areas are centers of economic information. A developed urban economy can provide its surrounding rural area with vast quantities of timely economic information, which in turn stimulates growth of the rural commodity economy and readjustment of rural industrial structure. If urban economies were not developed and information ineffective, rapid growth in commodity economies of surrounding rural areas would not be possible.

Because cities and towns work in the five ways mentioned above on rural economies, economically developed rural areas gain talent, technology, and material support more quickly and obtain timely economic information, providing better conditions for, and accelerating, readjustments in the rural industrial structure. Naturally, an urban economy cannot develop independent of its surrounding rural economy; they promote and stimulate each other, check and balance one another. It is just that, under current conditions, urban

economies assume a leading role in the development of the national economy, as the main driving forces behind economic growth.

Once this is understood, we must weigh urban economic development, study its transfer effects and how it promotes the rural economy, and make sure urban and rural area growth is coordinated as we institute rural industrial structure readjustment policies.

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CSO: 4006/633

## ANALYSIS OF SURPLUS RURAL LABOR

Beijing JINGJIXUE ZHOUBAO in Chinese 5 Apr 87 p 3

[Article by Deng Yiming [6772 0001 7686]: "Analysis of Surplus Rural Labor"]

[Text] China's surplus rural labor force is now about 100 million strong, about equal to Africa's aggregate rural labor force in 1982 (117 million) and twice that of Europe's (32.19 million). There are many causes and types of surplus labor. The causes can be grouped into four categories.

#### I. Accumulation-Induced Surplus

1. Growth in the rural labor force from natural population increase has been greater than growth as a result of migration. Because of the unchecked growth in the rural population prior to the 1970's, the rural labor force increased rapidly as a result of natural population increase. Rural labor productivity was low and slow to increase and the shift of rural labor to nonagricultural sectors was minimal. With more people flowing into the "pool" of rural labor every year, and few trickling out, the "pool" ballooned from a force of 303 million in 1978 to 370 million in 1985, for an annual net increase of 9.57 million laborers. Over the same period, however, migration grew from 26.36 million to 67.13 million, averaging 5.82 million laborers yearly, leaving 3.75 million laborers stranded in the agriculture sector each year.

2. There is a sharp decline in the area under cultivation. As the national economy expands, capital construction, military installations, railroad building, road repair, etc., have steadily encroached upon tilled land; as the rural industrial structure is revamped, township enterprises, small city and town construction, new rural housing starts, and some cultivated land reverting to forests, pastureland, or fisheries have all contributed to a sharp curtailment in tilled acreage, from 1,677,000,000 mu in 1957 to 1,452,000,000 in 1985, a net loss of 225 million mu, or an average annual decline of 8.03 million mu. That's almost the entire area under cultivation in Qinghai Province (8,476,000 mu), and equivalent to the tilled acreage in 11.5 counties (an average of 700,000 mu in each county). In the same period, the cultivated land-to-labor ratio declined from 8.7 to 3.9 mu, or an average loss of 4.8 mu per laborer. The upshot is that 2.05 million persons become surplus rural labor every year.

## II. Efficiency-Induced Surplus

1. Increased mechanization and applications of new technology save labor and enhance efficiency. From 1978 to 1985, the aggregate total of China's agricultural machinery power increased a net 124.58 million horsepower. Based on typical reports, China displaces 0.7 laborers for each added horsepower, eliminating an average of 12.45 million laborers every year.
2. Following the implementation of the output-related system of contracted responsibility in rural areas, laborers worked harder and for longer hours, raising efficiency and reducing actual demand for hands. According to typical reports, such efficiency resulted in 10 fewer man-days per mu for production laborers.

## III. Surplus Induced by Structural Change

1. The urban-rural structure is unbalanced. China's urban-rural structure has traditionally been urban--industry, rural--agriculture. One-sided, long-term policies emphasized growth of technology-intensive heavy industry in urban areas, which accumulated investment capital over a long period before showing results but overlooked development of labor-intensive light industry with its quick turnover and big profits. This in turn heightened the conflict between accumulation and consumption, prevented full employment of urban workers, and created a large number of youths awaiting work. For their own benefit and protection, urban areas had to resort to administrative measures to clamp down on the influx of rural labor, making it harder for them to work in the cities and in the large state-run industries and mines, and widening the gap between rural and urban areas. Large cities were favored over small for development; many small cities and towns, quite vigorous in the early days of the liberation, gradually declined, losing their appeal to rural labor. Hence routes to small cities and towns were also blocked. The rural labor force could stay only within the confines of rural areas.
2. The rural industrial structure is irrational. Basically, within rural areas, the sole business is agriculture; within agriculture, the stress is on crop cultivation, and in crop cultivation, "taking grain as the key link." The focus is becoming increasingly narrower, increasingly concentrated on one activity. Squeezing more than 300 million rural laborers onto arable land occupying a mere 10 percent of China's territory makes it impossible for strategic migrations to the rich and abundant mountains, rivers, and other natural resources covering the remaining 90 percent.
3. Rural labor structural quality is uneven. According to reports, 0.05 percent of the 1984 rural labor force were educated at the college level, 8.82 percent at the high school level, 29.51 percent at the middle school level, 40.73 percent at the primary school level, and 20.89 percent were illiterate. Together, illiterates and primary school graduates comprised 61.62 percent of the total labor force. Nonagricultural sectors are in general highly specialized and require high levels of technology. A poorly educated rural labor force is ill prepared to meet these demands, its flow into nonagricultural sectors is thus restricted.

#### IV. Replacement-Induced Surplus

Along with the growth of science and technology, polymer chemical industrial products have found wide applications in each sector of the national economy. Chemical fibers, for example, can take the place of some cotton, and synthetic rubber can replace natural rubber. According to my investigations, 2.92 jin of cotton or 3.5 jin of natural rubber were produced per man-day in 1984. Based on these figures, chemical fibers and synthetic rubber produced by industry can replace 602 million man-days; with one rural laborer putting in a total of 300 workdays days a year, this forms a replacement-induced surplus of 2 million rural laborers.

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CSO: 4006/633

## PLAN FOR UTILIZING FARMLAND FORMULATED

HK110910 Beijing JINGJI RIBAO in Chinese 30 Jun 87 p 4

[Report by Yang Bangjie (2799 6721 2638) and Xu Jingbin (1776 0079 2430): "China Makes Public the Plan for Using Farmland for Nonagricultural Construction"]

[Text] Recently, the State Land Management Bureau and the State Planning Commission jointly laid down "the 1987 national plan for the use of farmland for nonagricultural construction." This is the first plan of this kind since the founding of the PRC.

In our country, the supply of land resources relative to the population is rather strained, and the per capita quantity of land and per capita area of cultivated land are both less than one-third of the world's average. For many years, land has been excessively used for nonagricultural construction, and the quantity of land used for nonagricultural purposes has been increasing too rapidly. This has sharpened the contradiction between the large population and the relatively scarce land resources, and has become a major factor hindering our country's social and economic development. At present, the shortage of land resources have had an obvious impact on various aspects of economic development and social life.

In order to resolve the problem of the imbalance between land and population, in March 1986, the CPC Central Committee and the State Council issued a "circular on strengthening land management and checking abuse of farmland" and decided to take comprehensive measures to strengthen land management. The authorities stressed that the use of land for nonagricultural purposes must strictly follow the relevant state regulations through the procedures of application and approval, and it is necessary to use economic means to control the use of land for nonagricultural purposes and to establish and perfect the laws and regulations for land management.

The circular also clearly stipulated that 'henceforth, the use of land must be submitted for approval strictly according to the land use program, land use plans, and land use standards.'

For this purpose, the State Planning Commission and the State Land Management Bureau jointly decided to establish a system for the planned management of land beginning in 1987 and to include the planned target for the use of land into the overall target system of the national plan for socioeconomic development. In 1987, the first step is to formulate a plan for the use of land for nonagricultural construction to change the situation in which farmland has been excessively used for nonagricultural purposes in the past few years.

The 1987 plan for the use of farmland for nonagricultural construction was drafted and finalized by the State Land Management Bureau and the State Planning Commission on the basis of serious investigation of the available farmland and the needs for using such land in various localities and through careful and repeated calculation, and was deliberated and approved by the national land planning work conference. According to this plan, in 1987, 3.076 million mu of farmland will be used for nonagricultural construction in the whole country. Of this land, 1.352 million mu will be used for state construction; 791,000 mu will be used for rural collective construction; and 933,000 mu will be used for building houses by peasant families. The plan also assigns specific quotas in these three aspects to various provinces, autonomous regions, and municipalities. The planned target for the use of farmland for nonagricultural construction in 1987 is 37 percent lower than the 1985 figure and 5 percent lower than the average annual figure during the Sixth 5-Year Plan.

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CSO: 4006/835

## PROBLEMS IN, WAYS TO IMPROVE FORESTRY CREDIT

Beijing ZHONGGUO LINYE [FORESTRY OF CHINA] in Chinese 17 Apr 87 pp 11-12

[Article by Liu Deren [0491 1795 0088] and Zhang Shuxiao [1728 3219 7197], Agricultural Bank of China: "Current Problems in and Some Ideas on How To Improve Forestry Credit Work"]

[Text] In recent years, agricultural banks and credit cooperatives across the nation have changed the focus of their credit activities, rationally and promptly granted forestry loans and thus played a positive role in forestry development. Recently, agricultural banks in Hunan, Hubei, Shandong, Guangxi and 10 other provinces and autonomous regions conducted a careful survey of forestry credit grants and use. The survey discovered that, generally speaking, most loans were put to good use and produced good economic results. However, the survey also uncovered some problems that require further study and effort to resolve.

1. Forestry loan work does not meet the needs involved in the development of forestry production. Only 12 percent of China's land area is forested, the nation has much afforestable barren mountain and waste land and there is much potential for forestry development, so we need cooperation and support from all quarters. In terms of both ideology and fund allocation, China's forestry credit work falls far short of the needs of forestry development. According to survey data obtained from 65 counties in 13 provinces and autonomous regions, agricultural banks and credit cooperatives in these areas granted a total of 111.53 million yuan in forestry loans in 1985, which amount equaled only 2.5 percent of all agricultural loans and 5 percent of the total forestry output value and supported only 16 percent of the total area afforested in these areas during the same period.

2. A few forestry households have contracted to manage too much land and exceeded their capabilities, thus producing poor economic results. With the implementation of the "three fixes" and the production responsibility system in forestry, various forms and large numbers of forestry contractors and specialized households have appeared. In general, these entities have achieved good economic results and played a positive role in promoting forestry development. Yet a few contractors have ignored objective limitations and blindly sought to contract as much land as possible, which tendency has proved counterproductive. For example, a forestry contractor in Luoping

County, Yunnan, who originally managed 3,000 mu of sparse forest, contracted an additional 5,800 mu of barren mountain land and borrowed 20,000 yuan in 1984. Because he did not have enough labor to operate all this land, he had to hire six permanent workers, yet he still could not keep up. As a result, the trees he planted had a low survival rate and did not produce as much income as he expected, so he had trouble paying back his loan.

3. Irrational administrative interference persists. The survey discovered that departments in a few areas, without having conducted sufficient investigation and evaluation of local natural and economic conditions, took a bureaucratic approach and assigned tasks to every administrative level, overemphasized increasing afforested areas and ordered banks to support the projects with loans. This approach ignored scientific afforestation and undermined bank autonomy in granting loans, thus reducing the economic results of forestry and making loan repayments hard to ensure.

4. Many forestry loans are misappropriated. According to the survey data obtained from 13 provinces and autonomous regions, 4,195,000 yuan in forestry loans, or 3.8 percent of the total granted, were misappropriated from 1985 to the end of April 1986. Last year, Liangzihu District of Ezhou City, Hubei, issued a total of 120,000 yuan in discount loans. According to sample surveys of 30 households, 87 percent of the 8,459 yuan of the loans these households received was misappropriated. Shanglu Tree Farm, also in that district, borrowed 1,250 yuan, of which amount the farm turned over 850 yuan to the village government for purposes unrelated to forestry production, spent 160 yuan for entertainment and used 100 yuan for building maintenance. All told, these expenditures accounted for 97.6 percent of the total loan.

5. Collectives and cadres take out loans, which they distribute to households for use, confusing liability and causing loans to go unrepaid. The survey discovered that some regions stressed the role of the collective in allocating seedlings and in tree planting, had township governments take out all bank loans for redistribution to households, yet expected households to repay the loans to banks. And some localities had cadres take out loans and buy saplings in their own names and distribute the saplings to households for planting and when villages were expected to repay the loans out of their retained reserves, some villages had no reserves or ability to repay the loans at all. These practices violate credit policies and principles, confuse liability and cause loans to go unrepaid.

To develop forestry and promote the second step in rural reform, rural financial departments should strive to accomplish the following work in the future.

#### I. Increase Understanding of the Importance of Supporting Forestry Development

Forestry has always been a weak link in China's national economy. Thus vigorous development of forestry production, expansion of forest resources and increases in forested area will play an important role in improving rural

productive conditions, protecting ecological balance and accelerating rural economic development and represent a major undertaking that will benefit the nation, the people and future generations. Therefore, rural financial agencies must organize cadres conscientiously to study the Forest Law and relevant documents issued by central authorities, to understand fully the importance of forestry development, to accord forestry development an important position in rural credit work and to dedicate themselves to this work. The agencies must also arrange new credit funding, invigorate existing funds, expand credit for forestry development and give full play to the stimulative effect of credit in forestry development.

## II. Set Priorities for Forestry Credit Support

1. We must vigorously support the application of S&T to forestry production. In developing forestry production, we must rely on policy and on science, which point is demonstrated by the experience of the agricultural bank of Laiwu City, Shandong. Since 1984 that bank has focused much attention on supporting the introduction and cultivation of improved tree varieties, actively cooperated with S&T and information departments to provide peasants with information on S&T and to disseminate new technology and thus helped to increase the number of improved sapling varieties employed from 22 to 31, to improve tree varieties and to raise peasant incomes. In the future, forestry credit work must support the breeding of new tree varieties, the introduction of improved sapling varieties suited to local growing conditions, improvements in soil and planting technique, application of the appropriated mix of fertilizers, the dissemination of comprehensive disease and pest control and other S&T measures. This is the main way by which we can intensify tree farming, accelerate forestry development and improve forestry productivity.
2. We must vigorously support the general policy providing for household-level forestry work and for combining forestry management by the state, by the collective and by contractor households. Our financial resources are limited, so we must, on the one hand, develop large state and collective tree farms on which we can carry out technological transformation and strengthen the logistical services for development and, on the other hand, fully exploit China's advantageous labor resources by using credit to support and induce the broad masses of peasants to invest capital and labor in the mountains. This approach will provide for rational transfer and utilization of some of the surplus labor in agriculture and improve forestry management. Surveys of the experiences of the 65 counties indicate that better economic results can be obtained only when the scale of operation is appropriate and when the contracted tree-farm area matches the amount of labor and the operational capabilities families possess. Generally speaking, each household should contract about 30 to 100 mu of land, and specialist households possessing ample amounts of labor and funds may increase their contracted land area appropriately. Integrated units generally should receive 200 to 500 mu depending on the amount of labor and funds they have.

3. We must tailor measures to suit local conditions and vigorously support comprehensive forestry management. Forestry has a long production cycle and yields results slowly, so in supporting forestry development we must carry out the policy of "linking harvesting and cultivation, emphasizing cultivation, and seeking comprehensive development and diversified operations" and uphold the principles of tailoring measures to suit local conditions and of supporting the best projects. In funding selection, we should seek a mix of long- and short-term projects, use short-term projects to promote long-term ones, use forestry to support itself and use by-products to promote forestry. We must support projects having long production cycles and yielding slow results and assist a number of projects that are suited to local development, have short production cycles and yield rapid results. At the same time, we must also vigorously support the entire process of forestry production, processing and sales and practice comprehensive management which integrates forestry, industry and commerce so as to increase sources of income. This approach will enable us both to meet the needs for long-term investment in forestry and thus accelerate forestry development and to expand the amount of funds available for loan repayment and thus accelerate credit fund turnover. For example, agricultural banks in Laoxian and Weiru Districts in Pingli County, Shaanxi, have granted 150,000 yuan in loans to fund afforestation of 4,835 mu since 1985 and in the process have also helped fund the production of 33,000 kilograms of black tree mushrooms, which earned 759,000 yuan during that period, and thus helped ensure prompt loan repayment.

### III. Conscientiously Strengthen Forestry Credit Management and Improve Economic Results

1. We must conscientiously and properly conduct feasibility evaluations for forestry credit projects and improve supervision and inspection of loan use. In this work, we must first cooperate with relevant departments to conduct careful surveys of local natural conditions, resource advantages and performance in implementing the forestry production responsibility system and on this basis forecast project economic results and set priorities for credit support. Next we must strengthen post-loan inspection, which work should involve examination of the operations and management of the borrower unit and inspection of the way in which the loans are put to use. When problems are discovered through this process, they should be promptly corrected so as to ensure that loans are employed effectively and for the purposes for which they were intended.

2. We must abide by the principle of "being primarily self-reliant with state support secondary" and issue credit in a planned and effective way, seeking to supplement funds borrowing units have at their own disposal with state forestry-management funds. The surveys indicate that local governments grant credit in two basic ways. The first is to use forest-cultivation funds to grant loans on behalf of the state, combining use of these funds with forestry credit granted by banks. The second approach is to allocate a certain amount of agricultural and forestry loans and to use these funds for specific projects.

3. We must practice forestry loan-project management. The agricultural banks of Hunan and Hubei practice credit management for a number of large developmental projects, granting loans one at a time for each stage of project investment. This approach has proven effective. For example, Hunan designated 31 counties fast-growth, high-yield forestry bases and offered continuous funding for projects in these bases for terms of 3 to 5 years. According to survey data from seven of these counties, a total of 6.32 million yuan in forestry development loans was granted to these counties from 1985 to 1986, and these loans funded afforestation of 600,000 mu of land, registering a tree survival rate of more than 95 percent.

4. We must bring the number of large loans to large contractors under control. The size of loans extended to contractors should be determined by the amount of land households contract, the amount of labor households possess and the amount of funds households have at their own disposal. Contractor loans generally should not exceed 5,000 yuan, or 10,000 yuan in the cases of large specialist households. These limits should be used to induce households to contract appropriate amounts of land.

5. Loan time limits and the ratio between loan grants and the amount of funds contractors possess should be set in accordance with the form of management contractors employ, the length of the production cycle and other general considerations relating to income. Generally speaking, loans to fund the costs of managing existing economic forests should be for 1 year, and loans for large-scale developmental projects should not exceed 10 years but may have generous limits in terms of loan amount. The ratio between the amount of funds contractors possess and loan grants should be set in accordance with borrower credit worthiness and local fund availability and may generally be adjusted flexibly within the range of 20 to 30 percent. This ratio need not be stressed for loans of less than 1,000 yuan covering production expenses for projects primarily involving labor and material.

In sum, rural financial agencies should treat support of forestry production as important work, strengthen management and improve the effectiveness of forestry credit and contribute to China's forestry development.

12431/12851  
CSO: 4006/663

## HEILONGJIANG OFFICIAL NOTES RISE IN DAIRY PRODUCTION

OW100728 Beijing XINHUA in English 0645 GMT 10 Jul 87

[Text] Harbin, 8 July (XINHUA)--China's economic reform has helped boost dairy production in Heilongjiang, the country's leading dairy producer.

An official of the Provincial Light Industrial Bureau said here today that the output of dairy products in the first half of this year topped 32,000 tons, up 20 percent over the same period last year, and 96 percent of the products were milk powder.

Before the reform began in 1978, the whole province had only 61,000 head of cattle, mainly raised by state farms and 1,000 by individuals.

The numbers of cattle have increased to 352,000 at present under the new policies which encourage the state and collective farms and individuals to raise cattle.

According to the official, the province purchased 250 million liters of milk in the first half of this year, four times that for the whole year of 1978.

Heilongjiang has invested about 300 million yuan in upgrading the existing dairy plants and building modern plants over the past nine years. It has 113 dairy plants with a daily processing capacity of 2.2 million liters, up from 300,000 liters in 1978.

The official said the increase in dairy production has helped boost the province's food-processing industry and foreign trade. Its dairy products sell well to 29 provinces, autonomous regions and municipalities as well as to Romania, Singapore, the Philippines and Indonesia.

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CSO: 4020/240

## HENAN WHEAT OUTPUT FALLS DESPITE WARNINGS

HK171208 Beijing NONGMIN RIBAO in Chinese 10 Jul 87 p 1

[Report: "Seed Degeneration Results in Reduced Output on 23 Million mu of Wheat in Henan"]

[Text] Due to failure to heed expert opinion, a serious decline in output has been recorded on 23 million mu of wheat in Henan Province as a result of seed degeneration. The principal leading comrades of the provincial party committee and government recently demanded on two occasions that the provincial agriculture and animal husbandry department sum up the experiences and lessons.

Henan cultivated 72 million mu of wheat this year, a record area. All levels in the province unanimously held that the sowing foundation was good, the area sown late was small, the weather was favorable during the early and middle stages of crop growth, and over 90 percent of the crop consisted of sturdy plants, and so a bumper harvest was completely possible. However, during the final stage of growth, the plants fell over and were attacked by stem aphids over large areas, and there was a big reduction in heavy years. Although total output was up by 285 million kg over last year, it was 1.075 billion kg less than had been estimated by the provincial agricultural investigation team and the satellite observations of the meteorological departments. Half of the reason for this was a problem in the seed, which caused a loss of 414 million kg.

This seed problem was actually caused by the bureaucratic work style of the leaders concerned. The reporter visited relevant departments and experts. Back in 1984, a wheat expert proposed that the area sown to Bainong-3217 and Yanshi-9 strains be reduced. Some experts proposed a bill at the provincial people's congress session in 1985 pointing out that although these two strains had made a big contribution in Henan's wheat output, they had degenerated in recent years and were "beset with maladies" and should no longer be used. After red mildew appeared over large areas, the experts again proposed that these two strains should be discarded, but this failed to arouse the attention of the departments in charge. On the contrary, large areas were sown to these two degenerate strains in 1986.

It should be the responsibility of the departments concerned to help the peasants to correctly distinguish good seed from bad and promptly satisfy

their requirements for fine seed. However, far from doing this, the principal leading comrades of the departments concerned in Henan refused to take the blame after the problem occurred and stubbornly stressed objective factors. The masses criticized this, saying: "They always grumble about the objective instead of the subjective; they always blame heaven instead of blaming themselves."

In recent years, Henan's seed production bases have been reduced from 2.447 million mu in 1984 to 1.44 million mu in 1986, while the new seed cultivation area has been reduced from 376,600 mu to 174,000 mu. This has caused a serious shortage of fine-strain seed. From exporting its fine wheat seed elsewhere, Henan must now bring in seed from outside. The system for cultivating fine seed has been weakened, management work is poor and ineffective, the wheat seed market is chaotic, and a malignant cycle of shortage, confusion, hybridization, and degeneration has formed.

Certain leading comrades of the provincial agriculture and animal husbandry department still lack correct understanding of the serious problem that has occurred in the wheat seed. When the reporter visited the department to investigate the reason for the seed blunder, certain leaders there were afraid to reveal the contradictions; far from providing assistance, they erected obstacles.

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CSO: 4006/835

## SHANDONG PEASANTS LEARNING SCIENTIFIC AGRICULTURE

OW081408 Beijing XINHUA in English 1001 GMT 8 Jul 87

[Text] Jinan, 8 July (XINHUA)--Since China began its economic reform, a mass campaign to study science and agrotechniques is surging ahead in east China's Shandong Province.

More than 1,600 townships in the province have run short-term courses on popularizing agrotechniques with a total enrollment of 5.1 million local farmers. About 100,000 farmers have received certificates. Also, about 5,000 peasants' associations have been set up, almost one for every township.

"In the past, we tilled the land relying on our physical power, now, we depend on science," said a peasant technician.

Shandong is China's number one exporter of cotton, peanuts, maize, potatoes and fruit. Its grain output ranks second in China. About 80 percent of its 70 million population are farmers.

Though the province is the birth place of Confucius and Mengzi, two famous scholars in ancient China, the majority of older farmers were illiterate, many of them couldn't even write their names. For generations, they grew crops with backward methods.

A provincial survey in 1984 showed, of the 38.8 million peasants in the province between the ages of 12 and 40, six million were illiterate, accounting for 15.6 percent of the total population.

After a two-year anti-illiteracy campaign, 2.5 million people became literate.

The province set up 1,200 scientific and technological centers providing new cultivation techniques and books to farmers.

The grain output in the province has risen from 22 million tons in 1978 to 31 million tons last year. The output of cotton increased from 154,100 tons to one million tons, peanuts from 939,200 to 2.6 million tons, fruit from 1.5 million to 2.1 million tons. Local people attributed this to "the correct party policy, scientific knowledge and diligent work."

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## BRIEFS

SUMMER HARVEST RESULTS--Nanning, 19 July (XINHUA)--Despite the most serious drought in 50 years, the output of early rice and other summer crops in the Guangxi Zhuang Autonomous Region, south China, is expected to reach 5.5 million tons this year, 190,000 tons more than last year. Beginning from October last year till may this year, 47 out of the region's 83 counties were hit by serious drought. Many rivers and reservoirs dried up. In battling the drought the local government allocated 13,000 tons of diesel oil and 130,000 tons of chemical fertilizers to the farmers in addition to four million yuan by financial departments. The region's area sown to summer crops was 1.6 million hectares, only 15,000 hectares less than last year, and this helped reduce the loss caused by the drought, a local agricultural official said. China achieved a good summer harvest this year despite various natural adversities across the country, a government official said Friday. The third good year over the past 30 years and more in terms of summer harvest, the official added, the country's total summer crop yield topped 90.8 million tons. [Text] [Beijing XINHUA in English 0602 GMT 19 Jul 87 OW] /12913

AGRICULTURAL MECHANIZATION--Beijing, 13 July (XINHUA)--China plans to continue introducing more mechanized agricultural techniques in the country's rural areas. At a press conference here today, Liu Jiang, the vice minister of agriculture, animal husbandry and fisheries, said, this plan is one of China's strategies to keep up with the country's agricultural development. According to Liu, China now has 5.392 million tractors, and the country's total power of agricultural machines hit 228 million kilowatts in 1986, with both figures twice the 1980 amount. Machine-ploughed and machine-seeded farmland covered 39 million hectares and 13 million hectares respectively last year, with both figures less in 1979, he noted. The goal of Chinese agricultural development is to produce 450 billion kilograms of grain in 1990 and 500 billion kilograms in the year 2000, he said. "To realize the target," he said, "China's agricultural management scale should be expanded and agricultural mechanization needs to be developed." "Machine-ploughed and power-irrigated fields have to cover 46.67 million hectares and 33.33 million hectares respectively by 1990 to hit the goal," he added. [Text] [Beijing XINHUA in English 1734 GMT 13 Jul 87 OW] /12913

CSO: 4020/240

RENMIN RIBAO ON LITERARY EXPLORATION, CREATION

HK300608 Beijing RENMIN RIBAO in Chinese 23 Jun 87 p 5

[Article by Bi Sheng (3968 0524): "Exploration, Creation, and Other Things"]

[Text] As literature and art creation is a kind of complex aesthetic activity as well as the artistic mastery and reproduction of living and life, writers are required to have exceptional insight, talent, ingenuity, and originality. At all times and in all countries, all outstanding works are permeated with and radiate the writer's profound and exceptional insights. They artistically generalize and reflect social history and human relationships and feelings with high courage. Therefore, some people say that "writing is creation" and that art is a competition between talent and wisdom.

In the new period, writers constantly deepen their exploration and understanding of the social life. Along with the gradual emancipation of minds, literature and art have experienced a gratifying process of development. As art has increasingly opened up and become self-conscious and mature, a large number of keenly progressive works have emerged thus forming a spectacular flourishing situation. Moreover, those works which can evoke strong reactions from the readers always attract the readers with their new breakthroughs and creation in ideology and art, their profundity and appeal in ideology, and their new aesthetic findings in life.

It is an incontestable law recognized by great writers at all times, that creation and the pursuance of new works are the vitality for the development of literature and art. Lu Xun once said that "without pioneers in breaking away from all the traditional thinking and practices, China will not have its genuine new literature and art." He also praised the writing of "Dream of the Red Chamber" for breaking with tradition. Belinsky said that "In the works of true art, all the images are fresh and original, of which none is a reproduction of another and every image lives its own life." This is also true of a classical Chinese statement that "one cannot represent the times without originality." Because literary works are spiritual products, people should avoid, by all means, repetition and duplication and should not turn out series of standardized products. Although writers' choices of life, material, and subject can be identical or similar, the central ideas and the images of the characters in their works should be varied and colorful. In the face of the extremely varied and colorful social life, writers should constantly seek and bring into play fresh and lively artistic expression.

In a certain sense, creation and exploration are the demands of the spirit of the times. To carry on reform and opening up to the outside world, people should break with outdated regulations and practices and be bold in creation and building the socialist modernizations with Chinese characteristics. As literature and art creation must suit this situation, writers should possess a sense of blazing new trails and dare to be the pioneers. Creation is a kind of exploration to comprehensively study, store, and select the various artistic schools, styles, and expression methods. Only by surpassing the closed, narrow, and short field of vision and getting a vast and open perspective can writers possess the poise of great masters and march toward a higher realm of art.

As far as the writers are concerned, it is very important to strengthen their sense of creation and spirit of exploration, because these are the important factors to invigorate the writers' artistic creation and mobilize their initiative. However, as far as those who appreciate it (including critics and readers) are concerned, it is sometimes more important to have an open perspective and broad mind regarding the exploration and creation of art.

Such a broad mind is, first of all, reflected by an objective understanding of the achievements of literature and art. For example, despite shortcomings and deficiencies the literature in the new period has promptly and profoundly reflected life in the years of reform, created lively and moving artistic images, and explored and analyzed the ways of the world in a deep-going way. Going through a process of changing from unitary to diversified development, literature and art has formed a kaleidoscopical view and become an artistic reference for people to understand history and understand living and life. Therefore, it is not only an inheritance from the previous outstanding literature and art traditions but also a new exploration and creation. This is undeniable. If we completely negate these achievements and fail to notice the field of literature and art changing from desolation to luxuriance, as well as the creative labor of writers, it will be unfavorable to mobilizing initiative and striving for greater achievements in the cause of socialist literature and art. Of course, regarding some shortcomings in the process of exploration and creation, like the tendency to be divorced from the masses, the commercial atmosphere, a small number of people's keenness on descriptions of sex, and so, it is absolutely imperative to make criticism and give guidance. However, it is necessary to make clear that this is not the main current in view of literature and art as a whole, and should not cover up the brilliant achievements of literature and art during the 1-year-long new period. Therefore, it is not realistic to negate the necessity of creation and exploration in literature and art simply because of this.

On the other hand, it is necessary to prudently analyze, criticize, and assess the complex phenomena in literature and art. As literature and art creation is a complex spiritual labor, it is improper to judge and assess literature and art works with simple rules. The administrative means and the ossified and rigid thinkings, as well as the practices of drawing lines for and determining the nature of the thinking and art in the works are not favorable to the establishment and cultivation of a sense of freedom for writers. For example, in absorbing the ways of expression of the modernist schools to match it with the acceptance capabilities and aesthetic tastes of the Chinese

readers and create a kind of work understood and accepted by the common people in China nowadays, we cannot regard some of the creation methods borrowed from foreign countries as great scourges. In fact, the world literature envisaged by Marx and Engels and formed along with the exchanges among all nations, rejects narrow and closed thinkings. Literature and art exploration and creation can only be realized when writers feel free and their subjective consciousness is intense and growing. The difference between spiritual and material products lies primarily in that its spiritual products do not have an accurate yard stick for making any preproduction designs. Only by absorbing and immersing the quintessence of the spirit of the times to collide with their own artistic accomplishments and find out the common points can creation subjects be expressed through their works. Just think! If there was not a conscious psychological mood and artistic atmosphere when a creative idea was in the bud, would not the development of artistic intelligence be hindered?

It is particularly noteworthy that people should not make literature creation non-literary, or equate it with sociology. The so-called non-literariness is to equate literature and art works with some political, ethical, and social ideologies. Understanding society and life and reflecting social and political contents does not mean literature is the declarations and text books of politics. As "a light guiding the future of the national spirit" (a quotation by Lu Xun), literature and art should attach importance to the social effects and stress the political criterion. Moreover, it should possess some unique aesthetic standards. As for those literature and art works which comply with the general objective of the "four modernizations" and make artistic explorations and are accepted by the broad masses of the people, we should recognize them from the aesthetics angle.

Exploration and creation are for the greater development of socialist literature. All writers who have a sense of urgency and responsibility for the prosperity of socialist literature and art undertakings, and advancing Chinese national literature and art toward the world, should never forget this. The historical era of opening up to the outside world and reform have provided the writers and artists with an arena to distinguish themselves in creation and exploration, and writers and artists should be worthy of this great era!

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CSO: 4005/820

RENMIN RIBAO ON STUDENTS' READING HABITS

HK211529 Beijing RENMIN RIBAO in Chinese 3 Jul 87 p 3

[Article by reporter Zhu Huixin (4376 5478 2450): "Boats and Oars Are Needed for Avid Readers--Perspectives on the Reading Activities of Beijing University Students"]

[Text] Learned people love books. Not long ago, 2,504 copies of "inferiority and Superiority Complexes" stocked at Beijing University's XINHUA bookstore sold out in one day. The next day, 1,000 copies were brought in; before dare, they were again wiped out. Setting aside the question of whether it is normal that this kind of book should be such a "hot" item, one phenomenon is irrefutable: While scrimping on food and other expenses, many university students spend some 20 yuan a month at bookstores and bookstalls. When a kind of stirring is felt between male and female students, the most natural means to initiate exchanges is to borrow books, present books, and discuss books.

From "Primitive Thoughts" to "Looking Into the 21st Century," from Manual on New Courses" to "The Encyclopedia of Urban Living," from Plato, Dante, and Rousseau to San Mao, Qiong Yao, and Jin Yong--all are invariably included in the university students' voracious but worrisome reading diet.

Reading is the second basis of a university education. As far as the formation of a student's outlook on the world as well as on life in concerned, the influence of books could even exceed that of classroom teaching. Wu Xinying, deputy secretary of the party branch at Beijing University's Oriental Languages Department, lamented: The subtle influence of books is really formidable and carries far more weight than one or two conversations in the course of ideological work.

A New Graduate Facing the Open World

No doubt, we should be happy for this generation of university students, who enjoy varied interests, wide vision, and lively thinking. First of all, the vastness of their knowledge and the opportunities open to them far exceed those of university students before the "Cultural Revolution." They try to reflect on their studies by putting them into the entire perspective of world events, contemporary sciences, and the progress of civilization. Yu Xiaomac, a class of 84 education student of Beijing Normal University, believed that the principal reason for our country's lack of breakthroughs in education was

that research in this discipline is not bold enough, that it is not sensitive to trends of thought in other sciences, and that it does not attach importance to absorbing new achievements from other countries. He then focused his attention on the integration of philosophy and education. Since both philosophy and education place the emphasis on man, and we are precisely handicapped by our inadequate study of man, then if we were to start in this area, we may find the way to a breakthrough. He bought some 300 philosophy books, wrote a thesis on the Augustinian thoughts on education of the Middle ages, and was praised by teachers for "espousing new things." A management student of the Beijing College of Economics, citing Hungarian economist (Arnos Korney's) [0068 6179 0087 4430 1422 0355] "Shortage Economics," wrote a thesis about "Shortage Economics and Material Administration." For a while, teachers dared not correct his work.

Naturally, such tangible results are not common, for undergraduate study period is after all a time for sowing and planting. However, it is not easy to assess the far-reaching impact of books on the mode of thinking and state of mind of this generation of university students. Having been a closed country for a very long time, we have also developed ossified viewpoints, narrow-mindedness, and conservative idleness. This generation of university students has the good fortune to live at a time when "opening up to the outside world, as an unwavering fundamental state policy, is not only applicable to the building of material civilization, but also that of spiritual civilization." They can absorb horizontally all the useful elements of foreign academic cultures, such as the "astoundingly profound forces of German abstract thinking, the regional clarity and lucidity of traditional Anglo-American ideas, and the melancholic demands for supremacy of the Russian nation" (quotation from Li Zehou); vertically, they can also explore the path for national rejuvenation from the several thousand years of transformations in the motherland. It may be expected that after overcoming the initial naivete, superficiality, and extremism, they will produce the scientific attitudes, pioneering spirit and creative force necessary for the construction of modernization.

After the surge of student unrest, many university students in their reflections sensed profoundly the inadequacies of the theories, and organized many Marxist study groups. They called for the study of Marxism in an open environment. Yin Ling, a class of '86 international politics student at the Chinese People's University, believes that truth discovered by one from a variety of ideas and thinkings is the most persuasive. On the other hand, Wang Hui, a class of '84 student of party history, thinks that Marxism, too, needs to enrich itself from the entire body of achievements of human civilization and to seek its new point for growth from the newest developments in contemporary sciences. Beijing Normal University class of '84's education student Zhou Weiyong said that after reading Piaget's and Marx' consciousness theories, one gains more concrete and profound understanding of the latter's ideas. Indeed, as Lenin said, "There is absolutely no such thing as factionalism in Marxism. It is not a school of thought born out of self-isolation and stagnation, secluded from the developments in world civilization." During the "Cultural Revolution," everything in the universities that was considered non-Marxist was "banned" and reading restricted exclusively to "the Quotations." What were turned out were

misguided "Red Guards" at a time when leftist extremists were lording it over. Was this lesson not painful enough?

#### The Confusion of a Beginner

To harbor suspicions and even inexplicable horrors of the students' reading choices is groundless; to assume that students automatically make the right book choices and need no guidance in this respect is equally unrealistic.

Like fashion, some books on campus are a fad. In philosophy alone, the ideas of Sartre, Freud, Nietzsche, and Fromm came on the heels of one another. If one did not finish or thoroughly digest a book before proceeding to join in the next fad, then one's scope of knowledge may be vast but only superficial. There is even the risk of being led on by some shallow, mediocre, and negative elements. For instance, during the "Sartre craze," someone who did not mount such terms as "ridiculous," "disgusting," and "emptiness" might appear out of touch with the times. Nonetheless, those who enthusiastically talk about Sartre may not necessarily have read his original works. Some comrades in the theoretical circle assessed that the "Sartre craze" before and after 1983 was "premature" because many people still did not understand the sequence of irrationalism from the days of Schopenhauer and Nietzsche and could not possibly arrive at a true understanding of the profound roots of Sartre's philosophy. Many students believe they are capable of treating all schools of thought with objectivity, yet some lack the enthusiasm to carry out in-depth study of the world's most influential ideology and the theoretical foundation of socialist China--Marxism. Another hot item in the current reading craze is traditional civilization and comparative civilization. Not a few students dwell with great relish on carefree and forceful words that merely enumerate facts and touch on the trivial, yet they have not even read "A comprehensive History of China." This is another form of blindly following the fad of the times, yet mistakenly regarded with pride as "rebelliousness."

An embarrassing vacuum in learning still exists, even as book reading has become more open. Qu Baohui, a clerk at the Beijing University library, said that a considerable number of science students read humanities-related books, but very few humanities students check out books on natural sciences. Wu Fei, a class of '84 technical physics student at Beijing University, suggested that contemporary intellectuals should have a good grasp of the history of scientific developments, just as the establishment of quantum mechanics provided people with a wider span of thinking than was available during the Newton era. Actually, in the field of humanities studies, the interests of university students are often concentrated in the human sciences and not in the more extensive social sciences. For instance, there is very little interest in economic theories and practically no knowledge whatsoever of the fundamental thinking behind our country's economic reforms. As far as the main focus of university students' interests are concerned--that is, philosophy--the majority prefer humanist philosophy and show very little interest in the other component of modern philosophy--scientific philosophy. Du Bin, class of '85 library science student of Beijing Normal University, makes a sound observation: The objective of reading is to widen one's vision. However, many people in fact have very narrow vision in that their reading is restricted to a handful of "big names" in the European and American literary

worlds. For example, there is a mad rush to patronize the plays of Sartre and poetry of Nietzsche, yet the truth is that European and American literary circles believe that the focus of contemporary literature has shifted to Latin America and Africa. The recent winners of the Nobel Prize in Literature were Marquez, a Colombian, and Soyinka, a Nigerian.

#### Need for More Comprehension

A fundamental fact should not be forgotten when observing the reading habits of university students: They have just bade farewell to middle school life and are physiologically and psychologically still immature; yet, at the same time, they are often confronted with disturbances and unrest. While under heavy pressure to advance to college, they read only books connected with the college entrance examinations, and at most glanced through some literary works. Upon entering college, they are unprepared to handle the sea of books confronting them and are naturally confused at first. They are often attracted by new and unique books, no matter whether good or bad, profound or shallow. The popularity of Freud is related to the young people's physiological development as well as to the traditional ignorance of sex. The novels of Qiong Yao became the rage for a time among polytechnic and female university students primarily because of the limitations in their own life experiences, the sense of loss as they bade farewell to adolescence, and the need for entertainment in view of the heavy school work. On the other hand, the principal reason behind the negligence of economics books may be due to the university students' lack of practical knowledge and of their insufficient understanding of the national realities. They then turn to such abstract value objectives as "democracy" and "national character."

It should also be noted that while the country's ideological and cultural circle has just begun to massively introduce the latest achievements from abroad, generally speaking, it has yet to develop to the stage of digesting and renovating them according to Chinese conditions. This consequently also restricts the depth with which university students read and understand foreign academic books.

For a long time now, the nihilist attitude toward foreign cultures as well as dogmatic approach to Marxism have also stimulated the students' "rebelliousness." A Chinese People's University class of '84 student in archives study, Lei Fei, reflected: Someone told them this year, look at the times we are in now and still you read Dewey, Freud! Students with minds of their own welcome high-level guidance, but dislike it when others try to simplistically restrict the scope of their reading. They prefer to make their own appraisals and improvements through comparison and reflection.

There should be no turning back on the position to uphold cultural opening. The key to the issue lies in strengthening guidance and improving the technique of guidance in a more and more open environment.

#### Improve the Reading Environment

There are also some corners on university campuses that have been left out of the reading craze. Feng Wanpiao, class of '83 management student of the

Beijing College of Economics, noted that the recent batches of college freshmen are younger in age, and as they have just left the more stringent restrictions of family and middle school, tended to have proper self-control, and are easily overwhelmed by their entry into higher institutes of learning, they care only about having fun and enlivening the "I world" and have little time for or interest in reading. It is necessary to enhance the reading atmosphere for such students. The "campus" is not "a place for fun and games," and it is necessary to value this precious opportunity for schooling.

There are still some students who, while their bookshelves may contain some striking titles, actually indulge more in so-called "legal literature" and romantic novels for bedside reading. They should heed the advice of elders: Young people should nurture great ambitions and should read useful books, books that will help them for the rest of their lives.

As for university students who really bury themselves in books, they still lack the depth for discussions and contentions. In particular, the lines of demarcation are clearly drawn among different fields of study and there are no intercrossings as far as reading habits are concerned. This is a kind of "small production" type of reading habit. Wang Hengli, class of '84 economics student of the Beijing College of Economics, lamented: During the "4 May Movement" period, Mao Zedong and others used book clubs and culture clubs to propel the growth of a generation of brilliant young men and the development of a new cultural movement. Can the student councils and CYL organizations knit together the scattered reading public into an important element in the student community?

Reading is seriously divorced from classroom teaching. The formidable faculty rarely provides in-depth guidance to students. While it is a fact that advisers recommend a course reading list, this is often not of interest to the students. On one hand, this may be related to the fact that some students do not attach great importance to acquiring a good foundation in their area of studies; on the other hand, some teachers are indeed outdated as far as knowledge is concerned and are not sensitive enough to the latest overseas developments in their fields of specialty. University students have voluntarily hurled the challenge for reforms of university education. Li Jun, class of '85 economics student of the Chinese People's University, hoped: With the numerous academic giants in the institutes of higher learning, can they come up with a reading list that would incorporate all subjects and their newest developments?

The keenness of some university students toward books on contemporary western philosophy and social sciences has attracted the concern of ideological and political workers. While the latter would like to give guidance, the results have not been ideal. Wu Xinying, deputy secretary of the party branch at Beijing University's Oriental Language Department, complained that the changes in the students' reading choices are too fast and even if they want to keep up with the changes, it is still easier said than done. On the other hand, students complain that teachers engaged in ideological and political work "do not operate on the same knowledge level as the students," that they cannot converse with the students on academic matters, and it is more difficult to penetrate into other ideological levels. Classes on political theories very

rarely touch on contemporary Western teachings, and habitually use one or two examples or three or four words to carry out shallow criticisms. Not much attention is given to adoption of the scientific method of Marxism to analyze the intrinsic setups of various trends of thinking or to affirmation of their incisive reflections after discarding the undesirable elements. Beijing University's deputy head of the students department, He Ping, revealed that they are going to ask the school's XINHUA bookstore for a monthly list of bestselling books to students and forward the list to all departments. At the same time, they will have philosophy teachers give ideological and political workers lectures on Nietzsche so that they can carry out more relevant guidance to students. At present, publications including those on Western philosophy and social sciences are not short in volume but rather in variety. Quality also leaves much to be desired, as it has not succeeded in creating for the young people an environment in which they can make choices and yet not be left with no options. Book review is an even weaker link. At the Capital's Third Social Science Book Fair held recently, a Beijing Aeronautics College engineering student suggested that most of the books on contemporary Western civilization are often restricted to introductory nature. He expressed the wish that more books on their assessment, critique, and application be published. The students love to listen to people truly cognizant of Western comment on the West and to read discussions by scholars engaged in research of contemporary culture and thinking on our times. Some students from the Chinese People's University sincerely said: If the writers, translators, and editors of such books as "Heading for the Future" and "The World" were to visit the campus and conduct dialogue with us on how to regard the question of Western civilization, they could count on standing room only audiences!

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CSO: 4005/0869

SOCIAL

BRIEFS

POPULAR LITERATURE SOCIETY--Beijing, 20 May (ZHONGGUO XINWEN SHE)--The China Popular Literature Society, an academic mass organization for popular literature, is being set up in Beijing today. "Revolutionarization, popularization, and nationalization remain an important principle for the development of the socialist literature during the new period in China." This was stressed at the inaugural meeting of the society by He Jingzhi, chosen Honorary Chairman of the Society. Ma Feng, a writer of the "Shanyaohu School," who was elected chairman of the society, spoke about the society's purposes at the meeting. He said that the society is being set up on the eve of the 45th anniversary of the publication of Chairman Mao Zedong's "Talks at Yanan Forum on Literature and Art," and its purposes are to serve the people and socialism, to implement the policy of "letting a hundred flowers blossom and letting a hundred schools of thought contend," to inherit the fine tradition of the popular literature of the Chinese nation, and to develop China's popular literature with "Chinese style" and "Chinese spirit." Feng Yunan, Feng Jicai, Liu Shaotang, Liu Xicheng, Chen Yong, Hao Ran, and Jiao Yongfu are vice chairmen of the Society. [Text] [Hong Kong ZHONGGUO XINWEN SHE in Chinese 1155 GMT 20 May 87 HK] /12913

CHINESE FOLK LITERATURE--Beijing, 20 May (XINHUA)--A Society of Chinese Folk Literature, carrying forward and developing the traditions of Chinese folk literature, was founded here today. The Society is an academic organization for writers, scholars and editors devoted to Chinese folk literature, said Ma Feng, chairman of the Society. A well known writer from Shanxi Province, Ma used to be a member of the Society of Folk Literature, which was formed by late Chinese writers Lao She and Zhao Shuli in the autumn of 1949 but later suspended. Deputy head of the propaganda department of Central Committee of Communist Party of China He Jingzhi was elected as the Society's honorary chairman. Seven well-known writers were selected as vice-chairmen of the Society including Liu Shaotang, Feng Jicai and Hao Ran. [Text] [Beijing XINHUA in English 1034 GMT 20 May 87 OW] /12913

CSO: 4005/820

## ANHUI ACTING GOVERNOR AT CONGRESS COMMITTEE SESSION

0W021005 Hefei Anhui Provincial Service in Mandarin 1100 GMT 29 Jun 87

[From "Provincial News Hookup" program]

[Excerpts] The 30th session of the 6th Anhui Provincial People's Congress Standing Committee closed in the afternoon of 28 June. Chairman Wang Guangyu attended and addressed the meeting.

Acting Governor Lu Rongjing attended the 28 June meeting as a nonvoting delegate. He said at the meeting that one must fulfill one's duty and responsibility and live up to the expectations of the party and the people.

He said: The most important and imperative thing is to study seriously basic Marxist principles and the party's line, principles, and policies, and learn legal and scientific knowledge.

He said: We must learn from the old revolutionary comrades' spirit of holding themselves responsible to the party and the people and their experience of seeking truth from facts, working hard, and making correct judgments. We must conduct thorough investigations and studies, keep close relations with the masses, and resolutely struggle against unhealthy tendencies.

He called on the Provincial People's Congress and the people in the province to supervise him and the Provincial People's Government. He also hoped that city and county people's congresses would supervise their respective people's governments.

Vice Chairman Su Yu presided over the 28 June afternoon meeting. Other vice chairmen of the Provincial People's Congress Standing Committee present at the meeting were Su Hua, Wei Xinyi, Xia Deyi, Zheng Rui, Yang Chengzong, Zhao Minxue, Ying Yiquan, Kang Zhijie, Du Weiyou, Zheng Huaizhou, and Chen Tingyuan.

Other nonvoting delegates present at the meeting were (Long Yan), vice governor of the Provincial People's Government; Wang Chengle, president of the Provincial Higher People's Court; and Feng Jianhua, chief procurator of the Provincial People's Procuratorate.

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CSO: 4005/864

EAST REGION

REGIONAL

**FUJIAN PARTY CHIEF ATTENDS MEETING OF PARTY MODELS**

OW301109 Fuzhou Fujian Provincial Service in Mandarin 1000 GMT 29 Jun 87

[Excerpts] Representatives from 60 advanced party branches and 144 outstanding party members of the province met in Fuzhou today at a meeting to exchange experience in deeds of advanced party branches and outstanding party members.

Attending were leading Comrades Chen Guangyi, Jia Qinglin, Zhang Yumin, Ggao Hu, Zhang Kehui, Yuan Qitong, Zhang Gexin, Wang Yan, and Xu Jimei as well as responsible comrades from the Organization, Propaganda, and United Front Work Departments of the Provincial Party Committee.

Comrade Jia Qinglin spoke at the meeting.

In his talk, Jia Qinglin stressed the question of how to bring into full play the party members' role as vanguards and models and the role of grassroots party organs as militant bastions in the new historical period. He said: in the new historical period and the great movement to build socialism with Chinese characteristics, party members must be models in working and studying hard; in doing more concrete deeds and making less empty talks; in persisting and pioneering in the reform; in protecting the masses' interests and leading them to become well-off by hard work; and in abiding by the law and discipline and struggling against unhealthy tendencies, law violations, and other crimes.

Comrade Jia Qinglin stressed: Proceeding from the current situation and tasks, party members on the various fronts throughout the province must play exemplary roles in the following areas:

1. Take the lead and study two books well and fully and correctly understand and implement the line adopted since the 3d Plenary Session of the 11th CPC Central Committee. At present, it is particularly necessary to integrate studying with criticizing bourgeois liberalization, deepen the education on opposing bourgeois liberalization, integrate studying with deepening the reform and further opening to the outside world, and accelerate the pace of reform and opening to the outside world.

2. Be leaders in the reform and carry forward the pioneering spirit. Party members of various professions and trades must enthusiastically support the reform and opening to the outside world, overcome obsolete and ossified

concepts and ideas, remove all obstacles and interference from the road of advance, and continuously push our province's reform and opening to the outside world forward.

3. Take the lead in building up a spiritual civilization and play an exemplary role in propelling the spiritual civilization campaign forward in the entire society.

4. Take the lead in increasing production, practicing economy, raising revenue, and reducing expenditures; and carry forward the spirit of arduous struggle to build up the country, managing the family, and fulfilling all tasks through thrift and hard work.

5. Be models in obeying laws and discipline and correct unhealthy tendencies inside the party.

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CSO: 4005/864

## JIANGSU TO PUBLICIZE DENG XIAOPING'S THOUGHTS

0W010559 Nanjing Jiangsu Provincial Service in Mandarin 2200 GMT 27 Jun 87

[From "News and Provincial Press Review" program]

[Text] The general office of the Provincial Party Committee recently transmitted its Propaganda Department's opinions on the need to intensify political education and give wider publicity to reform.

The opinions of the Propaganda Department of the Provincial Party Committee call on people in all units and localities to conscientiously study and comprehensively grasp the essence of the party Central Committee's relevant documents, to review and sum up the situation of the struggle against bourgeois liberalization in the preceding period, and to further intensify political education according to the two basic points of the party's line laid down at the Third Plenary Session of the 11th CPC Central Committee.

In its opinions, the Propaganda Department of the Provincial Party Committee points out: In intensifying political education, it is necessary to further help people solve problems of ideology and understanding and to answer ideological and practical questions of a general character raised by the masses. This will enable most people to really understand what the four cardinal principles are, why they should uphold these principles, and how they should uphold them. This will enable most people to understand the relationship between the two basic points and how to uphold them in practical work.

In its opinions, the Propaganda Department of the Provincial Party Committee also points out: We should give wider publicity to reform in line with the guidelines set forth in the party Central Committee's relevant documents, get rid of outmoded, conservative, and ossified ideas, and overcome obstructions to the deepening of reform. At the same time, we should also pay attention to overcoming interference from bourgeois liberalization. Through this publicity and education, the four cardinal principles will strike root in people's hearts. Then, people will correct the mistaken or confused ideas that occur to them in the course of carrying out reform, opening to the outside world, and invigorating the domestic economy. [words indistinct]

The opinions of the Propaganda Department stress: Attention should be paid to publicizing Comrade Deng Xiaoping's thoughts while also giving publicity to the four cardinal principles and the reform of the economic structure.

## GU XIULIAN ON ROLE OF LEGISLATION IN REFORMS

0W200154 Nanjing Jiangsu Provincial Service in Mandarin 2200 GMT 18 Jul 87

[Excerpts] The First Southern Jiangsu Forum on Government Legislation opened in Hangzhu City on 18 July. Attending the meeting were leaders from Nanjing City, Zhenjiang City, Wuxi City, Suzhou City, Nantong City, Changzhou City, and 27 other countries and cities, as well as responsible persons from departments concerned.

Gu Xiulian, deputy secretary of the Provincial CPC Committee and governor, made a report titled "The Significance of Government Legislation in Overall Reform and Socialist Modernization" at the meeting yesterday afternoon.

To strengthen government legislation, Governor Gu pointed out with emphasis that governments at all levels should focus on five areas:

1. Regarding government legislation to suit a flourishing economy. Promoting further economic growth in southern Jiangsu by way of legislation.
2. Improving the procedures for drafting rules and regulations and administrative measures.
3. Strengthening inspection on law implementation, establishing a new system where by the higher-up level checks on the lower one and vice versa.
4. Strengthening government legislative organs. Employing in government service those who are well versed in law and economies, have a lot of practical experience, and have a good command of language.
5. Enhancing study in economic and administrative laws to better serve local legislative needs.

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CSO: 4005/864

## JIANGSU RADIO CRITICIZES 'OSSIFICATION OF THINKING'

OW011336 Nanjing Jiangsu Provincial Service in Mandarin 0915 GMT 26 Jun 87

[Station commentary: "Continue To Do Away With Ossification of Thinking"]

[Text] As reform continues to deepen, leftist ideology, outmoded thinking, and conventional ideas, which are far from being eradicated, keep influencing and restricting people's minds. For example, the coexistence of the different forms of ownership and modes of operation appearing in the course of reform has noticeably invigorated the economy. However, there are still people who think of the excessive controls of yesteryear. They keep thinking that in a society, the greater its degree of public ownership is, the more socialist it will appear. When some people see that other people have earned a lot more than they have because of the restructure of the remuneration system, they dislike the idea and maintain that egalitarianism is socialism's superiority.

Because of the restructuring of the personnel system, a number of affluent scientists and technicians have left their research units or colleges for the economically underdeveloped areas or rural enterprises where well-trained people are badly needed. Some people maintain this is highly improper, saying that this is a waste of well-trained personnel.

All this shows that, in order to deepen reform, we must do away with the traditional concepts and the forces of outmoded habits, which have been affecting people for a long time; and that we must work patiently to do away with the ossified thinking that has cropped up during the new situation.

First of all, we must earnestly study the party Central Committee's guidance for deepening reform, and the series of principles and policies concerning reform. At present we must clearly understand that China is in the initial stage of socialism and, proceeding from this national situation and reality and on the basis of upholding the four cardinal principles, we must concentrate our efforts to boost productivity. Only when social productivity has been boosted can socialism become more attractive. When we measure reform in the light of this concept, all measures of reform that can boost productivity should be considered as proper and should be actively supported. Only when we have established this basic concept can we deepen our understanding of the party Central Committee's policies for reform, opening to the outside world, and enlivening the economy; and can we throw ourselves into the torrents of reform more consciously.

Second, we should carry out vivid and concrete education with the fruits of reform. We can see with our own eyes the fruits we have reaped during the last eight years since the 3d Plenary Session of the 11th CPC Central Committee. Thus, if we educate people with the tremendous changes that have happened in our regions and units as a result of reform, we can help people deepen their understanding of the importance and necessity of reform, helping them realize the role and significance of reform, and see their gains or losses in proper perspective, thus heightening their concept of the whole situation, invigorating their spirit, enlivening their thinking, and guiding them to continue to explore in the cause of reform.

Third, we should intensify investigation and study, constantly sum up our new experiences gained from reform, study new issues, and never stop broadening our vision and emancipating our minds, so that our understanding will continue to deepen along with reform and keep pace with the development of the real situation.

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CSO: 4005/864

EAST REGION

REGIONAL

### JIANGXI SUMS UP PARTY RECTIFICATION WORK

0W031115 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 2 Jul 87

[Excerpts] According to a report by our station's reporter Gu Zhenxiang and JIANGXI RIBAO reporter Huang Gan, the provincial meeting to sum up the work of party rectification broke into group discussions today. The participants intensively studied and grasped the guidelines of the national conference summing up the work of party rectification nationwide and, on this basis, earnestly discussed the speech by Comrade Wan Shaofen and the report by Comrade Xu Qin at the opening session of the provincial meeting. They unanimously held that further efforts should be made to consolidate and develop the fruitful results of party rectification and to make continuous progress in building up the party in the province.

Most of the comrades attending the discussions were leaders of those doing practical work in rectifying the party, coming from various prefectures, cities, and counties or from provincial departments. After reviewing the party rectification work over the past three plus years, they expressed the general feeling that Comrade Xu Qin's report appraised the achievements and pointed out the problems in the party rectification work of our province by seeking truths from facts and earnestly summed up experience and drew lessons from this work.

A unanimous view expressed by the comrades in the discussions was that the requirements of the constant task of building our party will become even higher after the conclusion of the work of party rectification. Since these requirements are more difficult to meet, there should be no slackness in the slightest in doing the task.

Many comrades said: To ensure the implementation of the line of the 3d Plenary Session of the 11th CPC Central Committee is the guiding ideology for building our party during the new period. We must uphold this guiding ideology when doing various tasks in building the party.

Some other opinions about the report were expressed in the course of discussions.

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## SHANDONG'S LU MAOZENG ON PARTY RECTIFICATION

SK170500 Jinan DAZHONG RIBAO in Chinese 26 Jun 87 p 2

[ "Excerpts" of speech by Lu Maozeng, deputy secretary of the Provincial Party Committee, entitled: "Report on the Summary of the Provincial Party Rectification and the Opinions on the Future Work," delivered at 21 June provincial meeting on summing up party rectification]

[Excerpts] Comrades:

Having begun on 7 December 1983 in line with the decision and disposition of the party Central Committee concerning party rectification, the province's party rectification basically concluded this March after lasting three years and four months. In accordance with the guidelines of the instructions of the Central Commission for Guiding Party Rectification, on the basis of conducting investigations and studies and listening to opinions from all sides, the Provincial Party Committee summed up the province's party rectification work and further conducted discussion and revision after the convocation of the national conference on summing up party rectification. On behalf of the Provincial Party Committee, I will now deliver a "Report on the Summary of the Provincial Party Rectification and the Opinions on the Future Work."

#### 1. The Basic Evaluation of Provincial Party Rectification

Over the past three years or so, under the correct leadership of the party Central Committee and the Central Commission for Guiding Party Rectification, and with the concrete support of the liaison men and inspectors under the Central Commission for Guiding Party Rectification which were stationed in Shandong, Party Committees at all levels and party rectification offices throughout the province always implemented the decision and the series of important instructions on party rectification of the party Central Committee in a serious and conscientious manner and solved problems in a down-to-earth manner. In addition, the vast numbers of party members and the party-member cadres actively took part in party rectification, and the broad masses of the people and friends without party affiliation supported party rectification enthusiastically. On the whole, provincial party rectification developed in a sound manner, with the achievements being the main aspect; and basically accomplished the tasks of unifying thinking, consolidating workstyle, strengthening discipline, and purifying organizations, thus creating and accumulating some successful experiences for strengthening party building

during the new historical periods. The major gains from the current party rectification were as follows:

1) The consciousness in maintaining ideological and political unanimity with the central authorities was strengthened. During party rectification, the Provincial Party Committee and party organizations at all levels throughout the province placed the focus of the work of unifying the thinking on deeply studying the line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee and on examining and solving the problems in maintaining ideological and political unanimity with the central authorities. First, they enhanced their consciousness in implementing the party's political line and wholeheartedly engaging in the socialist modernization drive. The vast numbers of party members, particularly party-member cadres at all levels, profoundly understood that the line, principles, and policies formulated by the party since the 3d Plenary Session of the 11th CPC Central Committee are the application and development of Marxism in our country during the new historical period, the beacon light for building socialism with Chinese characteristics as well as the basic reasons for the vigorous development of various undertakings. From ideology to practice, party committees at all levels further shifted their work focus to serving economic construction and enhanced their consciousness in helping to fulfill the party's general task and goal. At the same time, they clarified some confused and erroneous ideas on popularizing the responsibility system, on developing the planned commodity economy, and on implementing the open policy and enhanced their consciousness in upholding the four cardinal principles and in implementing the principle of reform, opening up, and economic invigoration. During the later stage of party rectification, through relaying and studying the important instructions of the central authorities on opposing bourgeois liberalization, party committees at all levels conducted a widespread and in-depth education on upholding the four cardinal principles. As a result, the political orientation has been further straightened out. Along with ideological enhancement, there has been a universal reflection that "our hearts are closer to the central authorities." Second, they thoroughly negated the "Cultural Revolution" in light of the reality of Shandong. The fourth Provincial Party Congress, which was held in July 1983, realistically summed up the work of the previous party committee and distinguished right from wrong on the major affairs during the "Cultural Revolution" period in line with the guidelines of the "resolution" adopted by the 6th Plenary Session of the 11th CPC Central Committee, thus laying a good ideological foundation for thoroughly negating the "cultural Revolution" and solving the problems left over by the "Cultural Revolution." In the course of party rectification, the Provincial Party Committee and the party organizations at all levels throughout the province reviewed the serious damage brought about by the "Cultural Revolution;" and ideologically and practically negated the wrong theory on "continuing the revolution under the dictatorship of the proletariat" and the problems concerning factionalist ideas that "one faction is right while the other is wrong." While strengthening ideological education, the province and all localities took the initiative to find a way to solve the problems left over by the "Cultural Revolution." The Provincial Party Committee concentrated major efforts on helping some prefectures, cities, and provincial departments solve the problems left over by the "Cultural Revolution" one after another, and resolutely reorganized the Chengwu County Party Committee whose leadership

had been usurped by several factionalists and law breakers. In the course of deeply implementing the guidelines of the fourth Provincial Party Congress, all localities, in line with the principle of seeking truth from facts, redressed and corrected the cases related to leading cadres at or above the county level who had been criticized and handled unjustly and the comrades involved in these cases. At the same time, we further reconsidered the problems concerning policies left over by history. All this has greatly promoted the unity between the people in and outside the party and has consolidated and developed the province's political situation, which is characterized by stability and unity. Third, they upgraded their creativity and awareness of implementing the instructions of the central authorities in line with actual conditions. In the past, our province had such problems as failing to emancipate the people's minds, indiscriminately copying others' experiences, and lacking creativity. Through party rectification, changes have taken place in this situation. Party committees at all levels conducted investigation and study to correctly understand and make the most of the local advantages; formulated, in line with actual conditions, plans for the two civilizations and policies and regulations on developing agriculture, vitalizing enterprises, enlivening the circulation field, developing town and township enterprises, changing the backward features of impoverished areas, and supporting the development of island, mountainous, and lake areas; and summed up and introduced the experiences gained by Jinan and Zibo Cities in strengthening lateral economic cooperation and deepening reform. Thus, they have ceaselessly improved their awareness and creativeness in doing their work.

2) Some prominent problems concerning party style were investigated and solved. In the course of party rectification, party committees at all levels throughout the province conscientiously investigated and corrected some problems related to unhealthy practices that had been criticized and pointed out by the central authorities or that the people had strong complaints about, such as party and government organs engaging in trade and running enterprises; arbitrarily giving bonuses and materials; arbitrarily raising the price of goods; arbitrarily raising wages; illegally buying up materials in short supply and reselling them at a profit; obtaining state profits and taxes; violating policies and regulations to change rural residence registration to urban residence registration, to promote cadres, to turn collective ownership into public ownership, and to recruit workers; embezzling, diverting, and lavishly using collective property and goods; and abusing one's power to contract business at reduced prices and to occupy and seize larger housing areas. They also conscientiously investigated and corrected the problems that brought serious losses to the state because of serious bureaucracy and serious dereliction of duty. Since 1986, when rural party rectification started, we have concentrated efforts on investigating and solving the problems concerning seriously abusing one's power for selfish ends and seriously violating law and discipline. While preparing for village-level party rectification work, we generally consolidated and sorted out rural financial affairs and basically investigated the problems in the economic field that the rural party members and the people have most cared for. As a result, most cadres have dispelled their worries, and the people have set their minds at rest. After the village-level party rectification began, we continued to deeply investigate and handle the problems concerning embezzling collective property and

materials, abusing one's power to contract business at reduced prices, cadres "sharing rights," and occupying and seizing larger housing areas. Statistics at the end of March 1987 showed that through consolidating and sorting out rural financial affairs and through village-level party rectification, cases of embezzling, diverting, and being in arrears with collective and public funds (including material objects), totaling 635 million yuan, were investigated and sorted out; of this, 334 million yuan, or 52.6 percent, have been returned. Through party rectification, party organizations at all levels and the vast number of party members and cadres have enhanced their ability to understand and resist the influence of decadent capitalist ideas and various unhealthy practices.

3) Party members' awareness in party spirit was enhanced. First, party members steeled their communist belief. Many comrades conducted self-criticism against their erroneous ideas of seeking actual benefit instead of ideals and of "putting money above everything else," and enhanced their consciousness in fighting for the communist cause. From 1984 to 1986, 645 provincial-level and national model workers were designated throughout the province, among whom 548, or 84.9 percent, were Communist Party members. Second, they raised their awareness in serving the people. The change in this aspect was particularly conspicuous after the rural party rectification. Party-member cadres in some towns and townships, particularly in mountainous, remote, and poverty-stricken towns and townships, who could not keep their minds on their work in the past have enhanced their dedication to work and sense of responsibility and have made up their minds to work together with the masses to eliminate poverty and "exchange for the evergreen hills with their youthfulness." During village-level party rectification, party organizations and the masses of party members in various localities took the initiative in carrying out extensive activities to "correct erroneous work and do solid and good work," and did a great amount of work in publicizing and implementing the party's principles and policies and in leading and helping the masses to achieve affluence. The problems in which some cadres failed to do any work to benefit the masses despite their requests and in which party members paid attention to their own affluence alone were solved fairly successfully. Party members helped the masses to solve their actual difficulties in production, livelihood, medical care, schooling, transport, drinking water, purchasing means of production, and marketing farm and sideline products and were widely praised by the masses. Third, party organizations at all levels and party members enhanced their sense of discipline and achieved fairly great progress in implementing the instructions and regulations of higher levels, carrying out regular activities of their organizations, and abiding by the transfer made by their organizations. The past unhealthy phenomena in which orders and prohibitions were not carried out, nothing was said at meetings but gossips were made after them, and the regular activities of organizations were not conducted for a long period of time have been overcome to a fairly great extent. The masses say: "The present party rectification, during which real efforts were made and solid work was done, has helped solve the problems that could not be solved for many years and restore the party's fine traditions."

4) Party organizations were consolidated and purified. During party rectification, we always regarded the examination and verification of the "three types of persons" as a key to purifying party organizations and

repeatedly stressed the need to uphold party spirit and principles, eliminate factional influence, and do thoroughgoing and meticulous work. In this respect, party committees at all levels resolutely implemented the policy of "being both resolute and prudent, guarding against leaving out anyone who should be examined, and enlarging the scope" set forth by the party Central Committee, had leading persons attend to the work personally, followed the mass line, and adopted the method of "checking both the persons and their deeds, and judging the persons by the deeds they conducted" to carry out a great amount of thoroughgoing and meticulous investigation and verification work. Through investigations, the province discovered that 2,120 persons had to be examined, of whom 2,061 persons, or 97.2 percent, have been handled and had their cases concluded. Among those who have been handled, 104 were designated as the "three types of persons," 725 were regarded as persons with serious mistakes, and 1,232 persons were dealt with for their mistakes and problems of an ordinary nature, or were exempted from being handled because their cases had already been concluded previously. During village-level party rectification, 136 persons were examined, and the cases of 131 of them have been concluded. When examining and verifying the "three types of persons" and taking organizational measures, party committees at all levels implemented the party Central Committee's policies and regulations strictly, paid attention to preventing the two tendencies of being too lenient or too stern, and fulfilled their tasks of consolidating discipline and purifying organizations in a stable and down-to-earth manner. At the same time, they consolidated and improved the systems of party-day activities, party-lecture education, and democratic life meetings aiming at strengthening party building and recruited a great number of party members from the outstanding persons of various trades and professions. During the 3-year party rectification, the province recruited 333,578 new party members, an increase of 1.3 times over those recruited in the previous 3 years.

5) Leading bodies were strengthened. During party rectification, party organizations, from the Provincial Party Committee down to the grassroots, based on the requirement for running the party strictly and improving party leadership, always regarded the work to examine and solve problems of leading bodies and to strengthen leading bodies as the major areas of party rectification. In addition to correcting the ideological line and taking the lead in correcting unhealthy trends, they focused their efforts on the following three aspects. First, in line with the "four requirements" on the contingents of cadres, they paid attention to further organizational replenishment and readjustment. Of the 116 party and government leading bodies of provincial departments, committees, offices and bureaus, and prefectures and cities, 82 were replenished and readjusted, 105 cadres at city, prefectural, office and bureau levels were promoted, and 68 stepped down from their leading posts or were transferred. Through the replenishment and readjustment during institutional reform and party rectification, leading bodies at all levels have become much more revolutionary, and conspicuous changes have taken place in their education, specialty, and are patterns. In view of the characteristic that there are many new members in leading bodies, the province as well as various localities adopted measures to strengthen the training of backbone leaders to increase their political and professional competence. Second, they stepped up the consolidation of backward leading bodies. During party rectification at all levels, efforts were made

emphatically to consolidate the backward bodies with rather many problems. For example, to prepare for village-level party rectification, we readjusted the leading bodies of 6,858 village party branches which lacked the ability to lead party rectification; and in the latter period of village-level party rectification, all localities throughout the province again listed 3,047 village party branches as being perfunctory in party rectification, analyzed the reasons, and adopted remedial measures to make up for what they lacked. Thus far the problems of 2,186 villages have been solved fairly satisfactorily. With regard to the villages which really could not find appropriate personnel for their party branches, some localities sent their cadres not engaged in production to help these villages, thus changing the backwardness of these villages which had long-standing, big, and difficult problems. Third, they paid attention to changing their leadership style and stressed the need to keep the grassroots in mind and to serve the grassroots and the masses. Over the past two years, the various localities throughout the province have sent 32,136 cadres to 11,249 selected poor units (villages) in mountainous, reservoir, beach, and lacking areas and provided them with technology, materials, funds, and other necessary support to help them eliminate poverty. Thanks to the efforts, cadres at all levels have greatly enhanced their sense of serving the masses, and encouraging changes have taken place in these poverty-stricken areas. Among the 2,700 poverty-stricken villages in the Yimeng mountainous area, whose per-capita income was less than 150 yuan, more than 1,100 villages have increased their per-capita income to approximately 200 yuan.

6) Reforms in various fields and economic development were facilitated effectively. Inspired by party rectification, rural areas in the province increasingly deepened their reform, further fostered the idea of developing the socialist commodity economy, fairly successfully solved some conspicuous problems in the endeavor to improve the responsibility and the contract systems, on which the masses had much complaint, and created a new situation in which agricultural input was increased, farmland capital construction was strengthened, afforestation was carried out, and the development of township enterprises and the commodity economy was accelerated. In cities, reforms in the industrial, communications, capital construction, commercial, scientific and technological, cultural and educational, and labor and personnel systems were launched step by step, a new step was made in opening to the outside world, and in particular in the work of the two opened cities of Qingdao and Yantai, and the economic situation of the entire province became increasingly better.

During party rectification, we also strengthened CYL organizations in line with the instructions of the Central Commission for Guiding Party Rectification and solved their conspicuous problems in ideology and organization, thus enabling them to regain vigor in their work.

Although remarkable achievements were scored in provincial party rectification, there was still a long way to go compared with the instructions of the central authorities and the expectations of the people, and much work remained in unifying thinking, consolidating workstyle, strengthening discipline, and purifying organizations. The major problems in this regard were as follows: First, about 5 percent of the units failed to solve their

problems, and some villages still had the problem of having no adequate personnel to fill their leading bodies. Second, some units failed to thoroughly reveal and solve the evil trend of abusing one's power to serve personal gain. At some units, the problems which had already been tackled cropped up once again, such as the problems of giving banquets and presents with public funds, attending banquets and accepting gifts, securing personal advantages through pull, going through the back door to secure advantages, and abusing one's power to serve personal gain. Third, it is right to pay greater attention to eliminating the "leftist" influence in the course of party rectification; but our appraisal of and vigilance against the rightist things, the influence from bourgeois liberalization in particular, were insufficient.

## 2. The Major Methods and Experiences on Party Rectification

The current party rectification is an important practice of strengthening party building during the new period. During the current party rectification, in accordance with the guidelines of the instructions of the party Central Committee and the Central Commission for Guiding Party Rectification, and in close combination with the reality of Shandong, we focused primarily on the following tasks:

First, the leaders took the lead and set an example.

Second, in adherence to the principle of conducting positive education, we fundamentally improved the political quality of the vast numbers of party members.

Third, we persistently corrected mistakes in the course of party rectification and solved the problems in a down-to-earth manner.

Fourth, we correctly handled the contradictions within the party in line with the principle of seeking truth from facts.

Fifth, we strengthened leadership and strictly made checks. In the course of party rectification, leaders emphatically grasped the following five specific methods. First, they grasped investigation and study to timely analyze and solve the problems cropping up in the course of party rectification. Second, they carried out trial work among each level and instructed the work with typical experiences gained by selected units. Third, they established party rectification organs which were small in number but highly trained among various levels; and transferred liaison men and inspectors to various levels to give specific assistance. Fourth, they gave different instructions to different cases and strictly made checks. Fifth, while dividing up work between various leaders and making overall arrangements for both party rectification and the economic work and to making party rectification and the economic work be closely linked with and promote each other.

## 3. Further Strengthen Party Building on a Regular Basis

In line with the actual conditions of our province, we should now emphasize the following work.

First, we should further enhance our understanding of the importance of regular party building.

Second, we should conduct an in-depth education in the line adopted since the Third Plenary Session, and improve the party ideologically.

Third, we should continue to vigorously grasp party building.

Fourth, we should conscientiously strengthen the construction of party organizations and systems.

Fifth, we should substantially strengthen the leadership over the construction of the party.

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CSO: 4005/864

## SHANDONG END-OF-TERM ELECTION OF CPPCC MEMBERS CONCLUDES

SK070750 Jinan DAZHONG RIBAO in Chinese 25 Jun 87 p 1

[Text] Since the latter half of 1986, the CPPCC committees of 137 counties, cities, and districts throughout the province have successively carried out the end-of-term election of members. To date they have completely concluded their work in this regard. Through the election, they have not only brought about a new outlook in their organizations, but have also made the deposed members feel happy.

After the end-of-term election, several characteristics among the county CPPCC committees are as follows: First, the proportion of nonparty members has increased and the structure of the membership has become more reasonable, which better reflects the distinguishing feature of the united front work of the CPPCC committees. Second, the number of members and social circles from which members come has generally increased and the representation of members has become more extensive, thus expanding the scope of contact and unity among the various social circles. Third, the quality of members has generally been upgraded, thus enhancing the capability for participating in and consulting on government and political affairs. After the end-of-term election, the rate of members at the county level who have the educational standard of or above the university and junior college levels, has reached 60 percent and the average age of members has shown a decrease of from 6 to 7 years, thus enabling the CPPCC organizations to further meet the needs of the work during the new historic period. Fourth, a certain number of candidates during the election have been arranged for peasant enterprisers, the representatives of household-run industrial and commercial enterprises; and the family members of compatriots in Taiwan, Hong Kong, and Macao at the town-township level, thus contributing to expanding the CPPCC work to the grassroots-level areas and to developing the work abroad.

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EAST REGION

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SHANDONG HOLDS DISCIPLINE INSPECTION MEETING

SK180645 Jinan Shandong Provincial Service in Mandarin 2200 GMT 17 Jul 87

[Text] At the provincial discipline inspection on-the-spot meeting, Li Farong, secretary of the Provincial Discipline Inspection Commission, pointed out that only by resolutely safeguarding the party's political discipline and persisting in unwaveringly grasping the building of party style can we ensure the smooth progress of reform. To do good work in this field, on the one hand, we should conduct investigations and study and analyze the new situations and problems in the course of reform, opening up, and economic invigoration with the Marxist stand, viewpoints, and method; understand and get familiar with reform; and intensify our reform ideology. On the other hand, we should actively support and protect the healthy development of reform and opening up in our practical work and make the discipline inspection work become an important force in reform. We should enthusiastically support those comrades who earnestly engage in reform and protect them unwaveringly. As for those who make mistakes in reform because of their lack of experience, we should conscientiously help them to sum up the lessons and overcome their shortcomings and should encourage them to work hard and forge ahead continuously. We should conscientiously investigate and strictly punish cadres who disrupt reform or take advantage of reform to violate discipline and law.

This meeting was held in Zhucheng by the provincial Discipline Inspection Commission from 14 to 17 July. The meeting popularized Zhucheng City's and Chengwu County's experiences in reform, opening up, and economic invigoration and in strengthening the building of party style and studied the issue of how to make the discipline inspection work cope with the new situation and better serve the two basic points.

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## SHANGHAI URGES STUDY OF DENG XIAOPING'S THOUGHT

0W010605 Shanghai City Service in Mandarin 2200 GMT 27 Jun 87

[ "Morning News" program commentary: "Greet the 13th National Party Congress With Brilliant Achievements" ]

[Text] The just-ended municipal conference of party delegates has put forward the demand that during the second half of this year all party organizations in the municipality grasp the work of education by positive examples in deepening the struggle against bourgeois liberalization; continue to carry out in-depth reform; and launch a new high tide in developing the double-increase and double-economy campaign. All party comrades in Shanghai are requested to unite with the people throughout the municipality to earnestly implement the guidelines of the conference and work in a down-to-earth way at their respective posts toward the fulfillment of Shanghai's task for the second half of the year.

The key to success in deepening the struggle to oppose bourgeois liberalization is to do really intensive ideological work so that the vast majority of people will know what the four cardinal principles are as well as why and how these principles should be upheld. To solve these questions, we cannot depend on a political movement, but should rely on education by positive examples.

There are very good teaching materials to be used for persistently conducting such education by positive examples. They are two books: "Uphold the Four Cardinal Principles and Oppose Bourgeois Liberalization" and "Building Socialism With Chinese Characteristics." Comrade Deng Xiaoping's thought embodied in these two books is a summary of the practical experience and a crystallization of the collective wisdom of our party. It is a model for integrating the universal truth of Marxism with China's reality and a major development of Marxism in China. Earnest study of Comrade Deng Xiaoping's thought will assist us in understanding deeply and correctly the two basic points--upholding the four cardinal principles and opposing bourgeois liberalization on the one hand and persisting in carrying out reform and opening to the outside world on the other. It will also be helpful to the whole party in Shanghai in uniting more self-consciously and closely on the basis of the line carried out since the Third Plenary Session of the 11th CPC Central Committee and working effectively to build socialism with Chinese characteristics.

Recently, Comrade Deng Xiaoping has stressed that in order to build socialism we must have a developed productive force, and that poverty is not socialism. Going all-out to develop the productive force at the initial stage of socialism is a matter of utmost importance. To develop the productive force, we must persist in, intensify, and speed up reform. At present, it is also necessary to launch a new high tide in developing the double-increase and double-economy campaign.

In the first half of this year, Shanghai's double-increase and double-economy campaign made a fairly good start. In economic structural reform, a giant stride was made in reforming those industrial companies that were actually administrative organizations, instituting the contracted operational responsibility system in most big and medium enterprises, and restructuring the banking system. During the second half of the year, our tasks in these two fields will still be rather heavy. In particular, it is an arduous task to reverse the trend of declining local revenues experienced in the first half of the year and to meet the target set for this year's double-increase and double-economy campaign.

The whole party and all people in Shanghai must unite as one and make concerted efforts with one mind under the leadership of the Municipal Party Committee. They should strive to make brilliant achievements in furthering the education by positive examples aimed at opposing bourgeois liberalization, in deepening the reform, and in developing the double-increase and double-economy campaign so as to greet the convocation of the 13th National Party Congress.

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EAST REGION

REGIONAL

BRIEFS

TWENTY SIX STUDENTS EXPELLED--According to an ANHUI RIBAO report, Anhui University has successively expelled 26 students for such mistakes as hooliganism, theft, and gambling. The expulsions are part of effective measures taken by the school since the last school year to improve overall management, ensure good style in study, and enforce school discipline.  
[Excerpt] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 16 Jul 87 OW]  
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CSO: 4005/864

## WANG ZHONGYU'S REPORT ON PARTY RECTIFICATION

SK211229 Changchun JILIN RIBAO in Chinese 2 Jul 87 p 1

[ "Excerpts" of report presented by Wang Zhongyu, deputy secretary of the Jilin Provincial CPC Committee, on 1 July 1987]

[Text] Comrades, entrusted by the Provincial Party Committee, I presented a report "on the basic summing up of provincial party rectification work and consolidation and development of the achievements in party rectification, and on proposals to further strengthen construction of the party."

#### 1. The Province's Achievements and Existing Prominent Problems in Party Rectification

Our province's party rectification work began in November 1983 and basically concluded in May 1987. Party rectification was carried out in three stages according to the central authorities' decision on party rectification and the central party rectification guidance committee's arrangements for party rectification. The Provincial Party Committee; the Provincial Government; and provincial-level departments, bureaus, and organs participated in the first stage of party rectification work. Organs at the prefectoral and county levels, large enterprises, and universities and colleges participated in the second stage of party rectification. Participating in the third stage of party rectification were rural areas, towns, townships, villages, and enterprises and establishments at or below the county level. The Provincial Party Committee contended that, like the nation as whole, our province has scored achievements in party rectification thanks to the unswerving effort of party organizations at all levels and the vast number of party members throughout the nation under the leadership of the central authorities and the guidance of the central party rectification guidance committee, and that party rectification work had increasingly improved with each passing stage. Through party rectification, the province has made progress in terms of ideology, workstyle, discipline, and organizations, and changes have taken place in the situation in which the party was seriously impure in three fields. However, we must understand that development of the province's party rectification work is uneven. A small number of units have failed to do a good job in party rectification or solve principal problems. Some units even carried out the work perfunctorily. Some units that have done a good job in party rectification still have problems related to party style and other fields.

Specially speaking, the province's achievements in party rectification are principally as follows:

First, the province has further unified the thinking of all party members and upgraded their awareness of acting politically in unison with the central authorities.

The province has made efforts to act in unison with the central authorities to implement the line, principles, and policies adopted at the 3d Plenary Session of the 11th Party Central Committee. Due to the trammels of long-term "leftist" ideas before party rectification, the effort for the people to fully understand the new situation, did not emancipate their minds in handling problems, or failed to meet the requirements for creating a new situation. Through this party rectification, party organizations at all levels and a vast number of party members throughout the province have conscientiously and systematically studied documents on party rectification; eliminated the influence of "leftist" ideologies and some confused ideas; deepened their understanding about the line, principles, and policies adopted at the 3d Plenary Session of the 11th Party Central Committee; defined that persisting in reform, opening up and economic invigoration and vigorously developing the socialist planned commodity economy is the only way to build a culturally advanced, powerful, and democratic socialist country; further emancipated their minds; relaxed the restrictions of the policies; and accelerated the development of the two civilizations.

Our province was seriously stricken by the "cultural revolution." Its party construction was seriously damaged during that time. Although the province has done a lot of work to eliminate problems left over by the "cultural revolution," some party members still fail to eliminate their factionalist ideas and problems that concern factionalism are still prominent in some areas and units. Thus, the party organizations' combat effectiveness and the implementation of the party's line, principles, and policies have been affected. By conducting education on thoroughly negating the "Great Cultural Revolution" over the course of party rectification, we have concentratively analyzed such confused ideas as "one divides into two during the cultural revolution" and "One faction is right, while the other is wrong;" and inspired party members to clearly understand the harmfulness of these ideas, to sum up experiences, to unload their burden, and to get rid of their hang-ups. At present, the overwhelming majority of party members have a correct understanding of the "cultural revolution," and know that the "cultural revolution" was wrong and that neither of the two factions was right; have eliminated factionalism; and have a unified understanding of the resolutions adopted at the 6th Plenary Session of the 11th Party Central Committee. This has laid a comparatively solid ideological and political foundation to enhance the unity of the party and arouse a vast number of party members' spirit of blazing new trails.

Through education on the party's ideals and purpose over the course of party rectification changes have taken place in the situation in which some party members and party-member cadres were indifferent to the communist ideals and the idea of serving the people. Thus, a vast number of party members have enhanced their sense of party spirit, have upgraded their ideological

awareness, and have played an exemplary vanguard role in all fields. Over the course of party rectification, the province has fostered two much typical characters as Niu Tianju and Zheng Changlu and scored better results in disseminating and spreading their deeds and experiences.

Second, the party's fine traditions and workstyle have been inherited and further promoted and party style has been further improved.

As soon as party rectification began, the party and government organs at all levels throughout the province paid attention to solving problems of the "Yamen" workstyle, by which the people would find it hard to see an official to get things done, and problems of red tape; universally conducted general discussions on the topic "leadership means service" among all levels of party and government organs throughout the province from the perspective of wholeheartedly serving the people, enabled cadres at all levels to gradually foster the concept that "leadership means service;" and further resumed and promoted the party's fine workstyle of close ties with the masses. Last year and the year before, our province was hit by successive floods and waterlogging rarely seen in history. Responsible comrades of the party and government organs at the provincial, city, and county levels and of PLA units went to the disaster areas to organize anti-disaster and relief work, and properly solved all difficulties in the people's production and livelihood in the disaster areas. All relevant departments also rendered doorstep services on their own initiative; helped disaster areas carry out production; delivered seeds, chemical fertilizer, funds, and equipment to peasants; greatly inspired the sentiments of the masses; and strengthened their confidence in overcoming difficulties. In addition, during party rectification, party organizations at all levels also paid attention to persisting in democratic centralism, promoted democracy, encouraged the free airing of views, practiced inner party democracy and supervision, further resumed and promoted the fine workstyle of criticism and self-criticism, and further strengthened collective leadership.

During party rectification, by checking unhealthy trends, consolidating discipline and conducting education in party spirit, style, and discipline, we investigated and handled a number of bureaucratic cases that concerned party-member cadres' abuse of power to seek personal gains, and their serious law and discipline violations and dereliction of duty that caused great losses to the party and the state. We also concentrated our efforts on correcting unhealthy trends the masses are much concerned about and of which they complained. So far, we have basically checked the new unhealthy trends of engaging in commerce and running enterprises on the part of some cadres of party and government organs. Their party style has improved at varying rates. While checking unhealthy trends, all localities and units have also returned what they had unlawfully taken and compensated for the economic losses according to different cases and scored very good results.

Third, we have done a fairly good job in eliminating the "three types of persons," purifying party organizations and promoting the building of leading bodies at all levels.

During party rectification, party organizations at all levels throughout the province have conscientiously conducted the work of eliminating the "three types of persons."

To maintain the advanced nature and purity of party organizations, while adopting organizational measures and registering party members, we have mainly educated and corrected the majority of party members who had made minor mistakes and gave party disciplinary sanctions to a small number of party members who had made serious mistakes.

During party rectification, we conscientiously grasped the building of leading bodies. Before party rectification, we had already made a fairly big readjustment in the leading bodies at all levels. When party rectification began, all localities also readjusted listless leading bodies one after another. By readjusting organizations, ideology, and workstyle, the political awareness and professional quality of the leading bodies at all levels were enhanced and their fighting strength intensified remarkably.

Judging from our province's more than three years of party rectification, although we have scored achievements, we still have prominent problems. In unifying thinking, we have failed to pay sufficient attention to erroneous rightist trends while striving to eliminate erroneous leftist influence over the course of party rectification. In party style, we have failed to thoroughly expose bureaucratic cases on some people's abuse of power to seek personal gains, and their law and discipline violations and serious dereliction of duty. Although we have exposed some of them, we have failed to investigate and handle them conscientiously. In strengthening discipline and purifying organizations, some units have failed to consider strengthening discipline as one of their party rectification tasks and to grasp them conscientiously. As a result, the phenomena of not strictly enforcing orders and prohibitions and lax discipline inside the party have not been corrected in a better manner.

## 2. Consolidating and Developing Party Rectification Achievements, and Further Strengthening Party Building

As a stage of work, party rectification has already been completed. However, consolidating and developing party rectification achievements and doing a good job in building the party during the new period are long-term and major tasks that face party organizations at all levels. In his important speech delivered at the national conference to sum up party rectification work, Comrade Zhao Ziyang explicitly pointed out that in the future, the major task of party building is to ensure the comprehensive implementation of the line defined since the 3d Plenary Session of the 11th Party Central Committee. In building the party, we must guarantee upholding the four cardinal principles and persistence in the two basic points and the general principles and policies that concern reform, opening up and economic invigoration. This is a guiding ideology of party building during the new historical period. The party's ideological and organizational construction, cadre work, and disciplinary work should embody this guiding ideology. According to experiences in party rectification work done over the past 3 1/2 years, and the new tasks ahead of the party, Comrade Bo Yibo has definitely set five

requirements to further strengthen the building of the party in the new age. Party organizations at all levels should conscientiously study Comrade Zhao Ziyang's important speech and Comrade Bo Yibo's "report;" deeply grasp the essence of the spirit of the speech and report; and work out, in line with the Provincial Party Committee's arrangements and local and departmental realities, plans for implementing the spirit of the speech and report. In line with the province's actual conditions, I set forth several opinions.

First, we should further strengthen ideological and theoretical education among party members to ceaselessly upgrade their ideological and political quality.

We should build socialism with Chinese characteristics, adhere to the four cardinal principles, and persist in the general principle and policy of reform, opening up, and economic invigoration. All comrades in the party, particularly party-member leading cadres who are taking on key posts, are urged to master not only specialized knowledge and knowledge of management, but also the Marxist theory and to apply the basic Marxist principles and methods to explore methods to solve new problems that crop up over the course of modernization. Having no enthusiasm for studying theories and the thinking that studying theories is of no significance in conducting modernization is wrong. At present, party members, party-member cadres, and the large group of new leading cadres throughout the province should strengthen their ideological and theoretical education, ceaselessly improve their Marxist theoretical level, firmly foster the dialectical materialist outlook on the world and life, and enhance their ability to resist the influence of decadent ideas and unhealthy and evil trends in an effort to make themselves suit the demands of building socialism with Chinese characteristics. At present, we should grasp education for party-member cadres in line with actual conditions for adhering to the four cardinal principles, opposing bourgeois liberalization, and conducting reform, opening up, and economic invigoration. First of all, we should grasp education for party-member leading cadres at or above the county level. Party schools at the provincial, city, prefectoral, and autonomous prefectoral levels should adopt various forms to train party members by stages and in groups. We should organize party members to conscientiously study important Marxist works that are required reading by the central authorities; the two books entitled "Adhere to the Four Cardinal Principles and Oppose Bourgeois Liberalization" and "Build Socialism With Chinese Characteristics;" and the party's important documents, the party constitution, and the "principles for inner-party political life." Through study, they will be able to systematically grasp the basic Marxist principles and the basic content of the work of building socialism with Chinese characteristics; to enhance their political steadfastness and practical farsightedness; and to do their work systematically and creatively according to principles. We should regularly examine and assess party members' study results and theoretical and policy understanding, and simultaneously consider the assessment as an important basis to judge whether or not cadres can be competent at their jobs. Second, we should grasp ideological and political education for the vast number of party members. All grassroots party committees should organize town and township party schools and spare-time party schools to rotationally train party members and ordinary party-member cadres in a planned and well-organized manner. Third, party committees at all levels should open various channels to

cultivate a rank of theoretical workers. Propaganda departments and relevant departments should be good at discovering, selecting, and promoting young and middle-aged theoretical talents, and should strengthen the work of cultivating theoretical workers and upgrading their abilities. Through efforts, we should actually build a rank of key theoretical workers where young and middle-aged theoretical workers play a leading role and where veteran cadres with rich practical experiences and higher theoretical understanding are involved.

Second, we should continue to correct unhealthy practices and conduct the work of rectifying party style in a deep and sustained manner.

According to the principle of "first resoluteness and second constancy," party committees at all levels should continue to firmly grasp the work of rectifying party style. We should educate party members to persist in and carry forward the party's three great styles of work, to keep firmly in mind the party's fundamental purpose of serving the people wholeheartedly, to be the first to bear hardships and the last to enjoy comforts, to build the country through hard work and thrift, to bravely sacrifice their own interests for the sake of the interests of the party and the people, and to consciously resist and resolutely correct various unhealthy practices. At present, we should concentrate efforts on correcting such unhealthy practices as abusing one's power for selfish ends and using public funds to give lavish dinners and gifts and to indulge in ostentation and extravagance, on eliminating such bureaucratic practices as being irresponsible in their work and ignoring work efficiency, and on correcting such ultra-individualistic practices as striving for power, fame, and interests. The entire party should regularly and constantly grasp the work of rectifying party style and correcting unhealthy practices, and should establish the responsibility system based on letting each higher level check the work of the lower level. Leading organs and leading cadres should play an exemplary role in this work. From now on, the work of rectifying party style should be regarded as an important content of the party's regular activities, as well as a key content to democratically assess leading cadres. Besides those who violate the discipline leaders of units that fail to solve their long-term prominent problems should be called to account. The people and things that seriously damage the interests of the state and the people must be strictly checked and handled according to party discipline and state law. Only when people from higher to lower levels make concerted efforts to grasp the work unwaveringly will all serious unhealthy practices certainly be corrected and will party style and social conduct be further improved.

Third, we should further strengthen the construction of leading bodies at all levels to suit the demands of the new situation and the new tasks.

Generally speaking, the leading bodies at all levels throughout the province are good in terms of their political quality and professional ability. All of them have combat effectiveness. However, viewing the actual conditions of localities and departments, we know that members of some leading bodies fail to suit their ideological and political level and professional ability to the heavy duty of modernization and the requirements for reform. So, after party rectification, we should firmly grasp the work of further strengthening and improving and relevantly stabilizing leading bodies at all levels and readjust

some if necessary. To do a good job in building leading bodies, we should first accurately select those who will enter the leading bodies and define who will be selected into the leading bodies according to the principle that cadres must have both ability and political integrity and the principle of ensuring that the ranks of cadres will become more revolutionary, younger in average age, better educated, and more professionally competent. Cadres who faithfully implement current policies, who performed well during the "cultural revolution" period, who have a strong sense of party spirit, who are impartial and upright, and who have scored political achievements must be selected and promoted to the leading bodies. Second, we should grasp the work of cultivating, educating and improving new cadres. We should conduct theoretical study and practical training among new cadres in an effort to upgrade their organizational, command, and policy-decision ability. Third, we should persist in the principle of being ready to accept a higher or a lower post and should readjust those who are unsuitable for their leading posts in a timely manner. We should dismiss, if found, the "three types of persons" and the people with serious problems from the leading bodies; and should remove, in a timely manner, the "old good men" from leading posts, including those with poor ideological awareness and unhealthy workstyles, those who denounce arduous and solid work in favor of empty talk, those who have no achievements in their performance, and those who refuse to persist in principles.

Four, we should further strengthen the party's organizational construction and ceaselessly upgrade party organizations' combat effectiveness.

The key issue of organizational building is to genuinely improve and implement the party's democratic centralism. While discussing and adopting major policy decisions that concern the entire situation, party organizations at all levels should implement the democratic voting system of one person one vote, to prevent and avoid the phenomenon of allowing one person or a few persons have the final say. We should strictly organize the party's organizational life and conscientiously hold the party's regular meetings of organizations. Besides participating in organizational meetings of the party branches and party groups in an ordinary party member capacity, members of all leading bodies at and above the county level should also persist in holding an organizational meeting once every six months. Before the meeting, they should solicit opinions from the people of the departments to which they belong and the members of the leading bodies should hold heart-to-heart talks with the masses and make good preparations for the meeting. During the meeting, it is necessary to grasp the major problems of the leading bodies and the members, conduct criticism and self-criticism, conscientiously solve the existing problems, and guard against formalism and perfunctory work. We should strengthen the educational and management work of party members and gradually readjust and improve the party's grassroots organizational set-up and the management methods of party members. In addition, we should strengthen education and management work over party members who have been subjected to various sanctions or delayed registration during party rectification. In line with the principle of persisting in meeting the standards, guaranteeing quality, improving the structure, and making progress prudently, we should actively recruit new party members and unceasingly transfer new blood to party organizations. All grassroots party organizations should persist in regularly arranging tasks for party members, set demands on them, conduct inspections at

a regular interval, and create conditions for party members to display their exemplary and vanguard role.

Fifth, we should persist in running the party and observing the party's discipline strictly.

Persisting in running the party strictly means that each and every party-member cadre and party member is required to manage things in line with the various stipulations mentioned in the Party Constitution and the guiding principles and to serve as models in implementing the party's line, principles, and policies; in correcting party style and checking unhealthy trends; in setting strict demands on himself and consciously resisting the corrosive bourgeois ideology and in observing the party's regulations and laws and implementing party discipline. Meanwhile, all levels of party organizations are required to strictly handle the persons and cases in violation of the party discipline and state law. Party organizations at all levels must foster the concept of running the party strictly, conscientiously overcome the current inner party trend of giving lenient treatment to bad persons and things, resolutely break with the "network of connections," check the trend of paying attention to "human relationships," and strictly call into account those persons who shield and protect bad persons or things.

While persisting in running the party strictly, we must also do a good job in giving inner party supervision. First, we must supervise each and every party member, particularly party-member leading cadres, and see whether they have upheld the four cardinal principles and the general principles and policies of reform and opening up, and whether they have maintained a high level of ideological and political unity with the party Central Committee. Second, we must supervise the party member leading cadres and see whether they have implemented the party's democratic centralism. Third, we must supervise the party members and the party-member leading cadres and see whether they have conscientiously participated in the party's meeting on democratic life and whether they have conducted criticism and self-criticism. Fourth, we should supervise party-member leading cadres and see whether they have played an exemplary role in correcting party style.

Sixth, we should persist in the principle of having the party manage party affairs and realistically separate the work of the party from that of the government.

The key issue of strengthening and improving the party's leadership is to persist in having the party manage party affairs and ending the situation of not separating the party's work from that of the government. Therefore, leading comrades of the party committee at all levels should free themselves from their specific economic work and routine business, and realistically attain the goal of separating the work of the party from that of the government. The party's leadership over the government and social affairs is mainly leadership over ideological and political work and the major principles and policies, including economic policies. This leadership nature determines that the functions of the party and the government must be separated and that they must do their own duty. The function of the party committee is to grasp the formulation and implementation of the party's line, principles, and

policies, including all major economic and social development policy making; to grasp the party's ideological and political work and the ideological work; to grasp the party's organizational and cadres work as well as the propaganda work; and to grasp the work of fully displaying the exemplary and vanguard role of party members. The party committees at all levels should implement the principle of having the party manage party affairs while doing all their work.

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## GAO DI'S ARTICLE ON UPHOLDING FOUR CARDINAL PRINCIPLES

SK210702 Changchun Jilin Provincial Service in Mandarin 2100 GMT 20 Jul 87

[Article by Gao Di, secretary of the Provincial Party Committee: "We Should Not Approach the Four Cardinal Principles With an Ossified Idea"]

[Text] The four cardinal principles are basic to the foundation of the state and administration of the country, were upheld without deviation in the past, and must be upheld at present, and in the future. Everything in the world is alterable over the course of development, and therefore, we should approach the four cardinal principles with a developmental viewpoint. What we engage in is socialism, which has a developmental process. We are now at the initial stage of socialism, and a developmental process is needed to understand and comprehend socialism. The socialism expounded by the authors of classical works of Marxism-Leninism was established based on a foundation of developed capitalism; however, just to the contrary, a socialist system has been established in an economically underdeveloped country like ours. This results in many characteristics different from the original socialist idea.

If we approach and view our country's socialist construction completely with ordinary principles of socialism, it will get us nowhere in many fields. For instance, there is no commodity production in a socialist society in line with the ideas of Marx and Engels; however, in our country, which develops small-scale production over a territory the size of a boundless ocean, the most important task is to develop socialist commodity production after establishing the socialist system to raise its productive forces. Being large in size and collective in nature has been regarded as a distinguishing feature of socialism. Practice shows that advocating the ideal of being large in size and collective in nature, in a country with a very low level of productive forces, means advocating egalitarianism, which hinders, rather than promotes, the productive forces from development and the society from progress.

To build socialism, party leadership is necessary. By party leadership, we mainly mean leadership in politics, ideology, and organization, instead of the party monopolizing all specific matters of all organizations and departments. If party committees discuss and determine all matters, big and small, and secretaries guide all items of work, party leadership will be weakened, rather than promoted. The people's democratic dictatorship should be upheld in deed, but the targets and methods of dictatorship are greatly different from those of the past.

Meanwhile, the building of socialist democracy and the legal system should be greatly strengthened. All our undertakings should be guided by Marxism. The fundamental tenets of Marxism is universally applicable, but a few conclusions on special targets are not necessarily applicable universally. By adhering to the Marxism-Leninism-Mao Zedong thought we mean using the Marxist stand, viewpoint, and method to analyze, study, and solve practical matters that differ from one another and are frequently changeable. In upholding Marxism, we must develop Marxism. The force of habit is a most terrible and obstinate force. Like once forming a habit, it comes natural to you, a trend of ideology is hard to change once it becomes an ossified viewpoint.

Our major tendency over the past several years is leftism. If we use a left and ossified viewpoint to approach reform, opening up, and economic invigoration, we will suspect the correctness of reform, opening up, and economic invigoration and will even incorrectly treat reform as retrogression and the act of engaging in capitalism, thus deviating from the line pursued since the 3d Plenary Session of the 11th party Central Committee.

In terms of part leadership, it is all the same. If we stick to the past ossified ideas and models, we will erroneously think that separation of party work from government work will weaken party leadership. Marxism is a science undergoing constant development, the objective matters are developing constantly, and the people's understanding and Marxism regarded as a science of knowledge should also develop.

By renewing viewpoints we mean neither negating nor affirming everything. It is rightist to negate everything, and leftist to affirm everything, both being wrong. Everything divides into two; the people's understandings are correct in some fields, but wrong in other fields; and the erroneous understandings can be divided into rightism and leftism. The rightist things and ideas on bourgeois liberalization will exist for a long time, and thus we must guard against the spread of bourgeois liberalization at all times. In particular, we should pay greater attention to guarding against interference and influence from leftist ideas. Leftist ideas are long-standing and deep-rooted and the people are prone to be misled by leftist ideas because they frequently look very revolutionary, progressive, principled, and reasonable. Therefore, in general, we should mainly oppose leftism and ossified ideas. But, we should not neglect rightism, because it will manifest itself once we neglect it. We should oppose leftism and rightism whenever they appear and wage struggle on two fronts.

Upholding the four cardinal principles and sticking to the policy of reform, opening up and economic invigoration are the two cornerstones of the party line pursued since the 3d Plenary Session of the 11th party Central Committee. We should not approach the four cardinal principles with an ossified idea, nor should we approach the policy of reform, opening up, and economic invigoration with the viewpoint of bourgeois liberalization. Only when we integrate

adherence to the four cardinal principles with adherence to the policy of reform, opening up, and economic invigoration, and make the two supplement, interrelate, and promote each other can we truly understand and implement the line followed since the 3d Plenary Session of the 11th party Central Committee and can we grasp the correct political orientation in the great cause of building socialism with Chinese characteristics.

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## JILIN PARTY RECTIFICATION WORK BASICALLY COMPLETED

SK010526 Changchun Jilin Provincial Service in Mandarin 2100 GMT 30 Jun 87

[Text] Provincial party rectification work has been basically completed after 3 and 1/2 years. Since November 1983 some 950,000 party members throughout the province have conducted three-stage party rectification. Over the past 3 years or so, party organizations throughout our province have conscientiously implemented the party Central Committee's decision on party rectification and the Central Party Rectification Guidance Commission's series of directives and have done much and made progress in terms of ideology, workstyle, discipline, and the sense of organization as compared with that before the party rectification. The situation in which the ideology, workstyle, and organizations of the party are seriously impure has improved. In addition, we have accumulated some experiences in correctly handling the inner party contradictions and problems. Through party rectification, we have enhanced the broad masses of party members' awareness of implementing the line defined since the 3d Plenary Session of the 11th CPC Central Committee and maintaining political unity with the party Central Committee; eliminated the leftist influence; clarified confused understanding in many spheres; clearly understood that upholding reform, opening up, and economic invigoration is the best way to build socialism with Chinese characteristics; and accelerated the province's building of the two civilizations. The party organizations at all levels have attached importance to grasping the education on negating the Great Cultural Revolution, deeply liquidated the influence caused by the Cultural Revolution, further eliminated factionalism, better solved problems leftover from the Cultural Revolution, and laid a more solid ideological and political foundation for strengthening the party's unity and stimulating the reform and innovative spirit of the broad masses of party members. During party rectification, the broad masses of party members have enhanced their party spirit and political awareness. In the course of party rectification, the province as a whole has deeply conducted education in ideals and the party's purpose, style, and discipline. During this period, the party committee has set Niu Tianju and Zheng Changlu as two advanced examples and enabled many party members to overcome the idea of suffering losses and putting money above everything, changed the situation in which some party members and party-member cadres have a blunt sense of the communist ideal and of serving the people wholeheartedly, and displayed a vanguard and exemplary role in all fields of work.

Since party rectification, party and government organs at all levels throughout the province have universally conducted general discussions on the issue that leadership means service, have enabled cadres at all levels to gradually cultivate a concept that leadership means service, have manifested this concept in the practical work of the four modernizations construction, and have cemented closer ties between leaders and the grassroots levels and between party members and the people. Various cities, prefectures, autonomous prefectures, and counties have done much work to improve the people's living standards and urban construction, solved some problems which the masses urgently demanded solution, such as their water shortage, road, traffic and housing problems, and further restored and promoted the party's fine workstyle of cementing close ties with the masses. While overcoming the bureaucratic workstyle, the province's upper and lower levels have maintained coordinated efforts; investigated and handled a number of cases concerning some party-member cadres' abuse of power to seek personal gains and their law and discipline violations through checking malpractices, consolidating discipline, and conducting education in the party's spirit, style, and discipline; and concentrated efforts on checking the unhealthy trends which the masses are much concerned about and about which they have lots of complaints.

The party organizations throughout the province have earnestly and conscientiously grasped the investigation work in line with the party Central Committee's principles and policies on eliminating the three types of persons and the demand of not making mistakes and not missing anything and have basically attained the goal of strictly observing party discipline and purifying the party organizations.

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NORTHEAST REGION

REGIONAL

BRIEFS

ANNUAL MEETING HELD--The Jilin Provincial Society of Soviet Studies held its sixth annual meeting in Changchun City from 11 to 13 June. Comrade Wan Xin, president of Jilin Academy of Social Sciences, attended and addressed the meeting. Responsible persons of Jilin University, Dongbei Teachers' Training University, and the Provincial Federation of Social Science Societies also attended. Comrade Lu Nanquan, secretary general of the China Society of Soviet and East European Studies, and research fellow of the Soviet and East European Studies Institute of the Chinese Academy of Social Sciences, made a special trip to Changchun to congratulate on the convocation of the meeting, and gave academic reports on two occasions. During the meeting, he also exchanged opinions with the permanent board of directors of the Jilin Provincial Society of Soviet Studies on academic activities and the improvement of the society and held a discussion with the member units in Changchun on the issues concerning academic research. Nearly 100 members attended the annual meeting. They conducted academic exchanges on a series of issues in the field of Soviet studies, and in particular held animated discussions on the Soviet Union's reforms carried out since the 27th CPSU Congress and its current policies. The participating members submitted many academic reports, investigation reports, and investigation and research materials to the meeting. [Text] [Changchun JILIN RIBAO in Chinese 16 Jun 87 p 1 SK] /12913

TOWNSHIP ELECTIONS CONCLUDE--Our province's town and township end-of-term elections successfully ended by the end of June. A total of 17,449 town-level deputies and 46,740 township-level deputies were elected. At their new people's congresses, all localities elected new leading personnel of the state organs at the town and township levels. [Text] [Shenyang Liaoning Provincial Service in Mandarin 2100 GMT 16 Jul 87 SK] /12913

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